Sir Norman Foster

Renovator of the Reichstag

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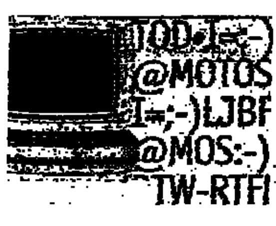

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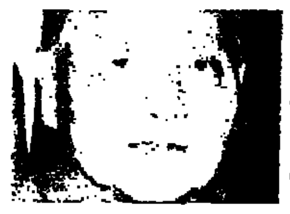

Deng at 90

A man with many phases

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FINANCIAL TIMES

Europe's Business Newspaper MONDAY AUGUST 22 1994 D8523A

Israeli shares fall 10% over fears of tax on profits

Israel's stock market slid almost 10 per cent yesterday amid frantic trading by investors nervous about a proposed tax on share profits. At the close of trading the benchmark Mishtanim index of the top 100 blue chip companies had fallen 18.22 points, or 9.93 per cent, to 165.18. Before yesterday the market had fallen 25 per cent this year because of poor company results, higher-than-expected inflation, interest rate rises and a clean-up campaign by the Securities Authority. Page 13; Markets this week, Page 17; Emerging markets, Page 19; World stocks, Page 20

China tightens credit: China is to clamp down on lending for capital spending following an alarming 73 per cent rise in fixed asset investment in July compared with the same month last year. Page 12

Lac's last defence removed: Canadian mining group Lac Minerals, which is the target of two unwelcome takeover offers, was ordered by the Ontario Securities Commission to dissolve its protection plan, or poison pill, if either bid is accepted by its shareholders. Page 13

Wal-Mart to open in Hong Kong: US discount store group Wal-Mart Stores, the world's biggest retailer, is to open stores in Hong Kong and China. Page 15

Moscow warns on new MMM offering: The Russian government warned of the dangers facing potential investors after the MMM investment fund, which had appeared on the verge of collapse, said it would offer new "MMM tickets" for sale. Page 12

US toughens stance on Cuba: The Clinton administration announced a tighter trade embargo against Cuba and held out the possibility of a full blockade. Page 12; Fretting about Fidel Castro, Page 2; Editorial Comment, Page 11

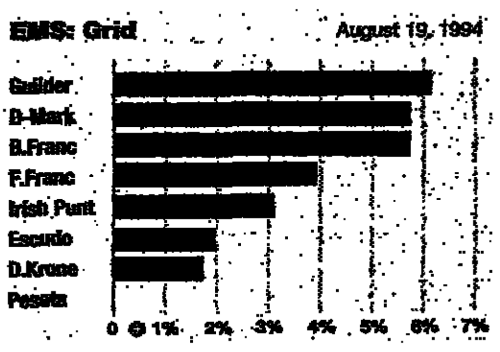
Bosnian Moslems flee Bihac: Tens of thousands of refugees streamed out of Bihac, the Moslem pocket in north-western Bosnia, as UN officials said Bosnian government troops had overrun it. Page 2

British Coal warns of Sizewell C threat: British Coal says Sizewell C nuclear power station, planned for the Suffolk coast, would displace up to 9m tonnes of coal a year and expresses doubts about the nuclear industry's ability to deliver electricity at the costs it promises. Page 5

Cementos Mexicanos buys Panama plant: Mexican cement company Cementos Mexicanos extended its presence in Latin America by buying the Panamanian plant Cementos Bayano for $57.7m. Page 14

Malayan Bank 46% ahead: Malayan Bank, Malaysia's biggest financial institution, reported annual pre-tax profits up 46 per cent to M$1.16bn ($451m), helped by an expanded loan base. Page 14

European Monetary System: Against a backdrop of generalised D-Mark strength, bolstered by upgraded growth forecasts and firm interest rates, the EMS grid was little changed. The spread between strongest and weakest currency was maintained, with only the Irish punt and French franc swopping places. Currencies, Page 25



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Savoy denies Forte agreement: Savoy Hotel denied a report that it had reached an agreement with rival hotel group Forte, which has fought for 13 years to acquire it. Savoy group's properties include London hotels the Savoy, Claridge's and the Connaught. Page 14

Women lead race for top posts: Women prove more successful than men when they are competing for senior management positions, statistics released by a British executive recruitment consultancy show. Page 5

IRA man convicted: IRA sympathiser Sean McNulty, 26, from North Shields, Tyne and Wear, was convicted in London of bombing oil and gas targets in north-east England last year. He will be sentenced today. Ceasefire speculation, Page 5

Profits triple at SSAB: Interim profits at Swedish steel group SSAB tripled after financial items to SKr1.05bn ($133.2m), helped by price rises and higher volumes. Page 15

Servisair plans October float: Servisair, former British & Commonwealth subsidiary and Europe's largest aircraft and passenger handling company, is to come to the London stock market in October valued at more than £50m ($77.5m). Page 14

Body Shop International, cosmetics group whose watchword is environmental soundness, defended itself against reports which raised questions about its green credibility and business ethics. Page 5

US court takes a stab at the Swiss army knife

By Ian Rodger in Zurich

Where does the Swiss army knife come from? According to a US appeal court judgment, the knife of many parts can come from any country, since the words "Swiss army" describe a type of knife and are not "location-specific".

The ruling has angered Swiss producers of the genuine article, who are under attack from cheap red Chinese imitations and claim that there has been trespassing on their intellectual property.

"The Americans make such a fuss about protecting consumers and intellectual property rights, and then they do this. We were very upset," said Maurice Cachot, chief executive of Wenger, one of the two companies approved to supply the pocket knives to the Swiss army.

To some extent, even the knives made in Switzerland for consumer markets are not the real thing. The Swiss army, which first commissioned the production of knives for the troops in 1886, specifies that there be no paint on the aluminium cover of the models it buys. Cork screws are not allowed either.

Wenger and Victorinox, the other Swiss maker, say that they are not particularly worried about the cheap Chinese imitations – even though the imitations sell for one-fifth or less of the real thing and outsell the Swiss products in the US by nearly three to one.

The Swiss makers say the Chinese knives are obviously of inferior quality. The US appeals court agrees, describing them as "inexpensive and shoddy".

The Swiss makers' deeper concern is that the judgment is a licence to precision manufacturers in Japan, Germany, Britain and other industrialised countries, which could do a better job knocking off the Swiss article.

Also, there is the issue of consumer information. A survey commissioned by the Swiss makers said more than half of Americans believe that when they buy a red, multi-gadget pocket knife they are buying a Swiss product.

And that was even before the Chinese set alarms ringing in the Alps two years ago by painting the Swiss white cross symbol and the words "Swiss army" on their exports to the US.

The Swiss and their US distributors responded quickly to this cheeky challenge with a lawsuit in September 1992, accusing Arrow Trading, the US distributor for the Chinese, of qualitatively and geographically false advertising. They also won an injunction prohibiting Arrow from using the words "Swiss army" and the cross symbol until the case was decided.

A year later, they won their case but lost on appeal last month. In a judgment that helps explain why the US keeps so many lawyers in employment, the court said the term "Swiss army" was not location-specific. But it added that Arrow's conduct in promoting its knives might be misleading and so it ordered a new hearing to resolve that issue.

The court also lifted the injunction against Arrow using the Swiss army name and cross. "We are confident that we will win," Mr Cachot said. But they also expected to win the appeal.

AT&T drive to block telecoms competition

By Andrew Adonis

AT&T, the largest US telecommunications company, is campaigning to hold back competition in the lucrative transatlantic telecoms market which could significantly cut prices.

The competition will come from so-called international simple resale, under which operators lease international lines and connect them to the public networks on both sides of the Atlantic. The scheme is expected to yield big cuts in transatlantic call prices at the expense of established carriers, notably competitors AT&T and British Telecommunications.

AT&T is urging the Federal Communications Commission, the US telecoms regulator, not to allow the new form of competition, arguing that the British telecoms market is not as open to competitors as the US market.

The onset of competition from the resellers is one reason why BT is considering large pre-emptive price cuts and may slash its transatlantic prices this autumn, according to leading City of London analysts.

It had been widely assumed that competition on the transatlantic routes would open up after the UK's decision last month to license AT&T. This followed the US regulatory authorities' approval of BT's $5.3bn (£3.4bn) alliance with MCI, the second largest US operator.

The two companies planning to offer the cheap resale services, MFS and ACC, have already secured licences to operate in the UK. A request to offer international simple resale from the US is before the Federal Communications Commission.

AT&T claims in its submission to the commission that "while the UK has made progress over the last year", its market is still not as open as that of the US. This is denied by MFS and ACC, which have told the commission that Britain offers telecoms resale operators "opportunities equivalent to those available under US law." The resellers' claims are broadly supported by US regional telecoms companies with substantial UK interests, which have put similar arguments before the FCC in recent months.

As far as BT's response to price competition is concerned. Mr Laurence Heyworth, telecoms analyst at Robert Fleming, said it appeared increasingly likely that BT would make "massive price cuts on international calls" later this year, with reductions of up to half on its US-UK prices. BT is obliged by Oftel, the UK telecoms regulator, to cut charges by about £400m before the end of the year in any event.

International calls are BT's area of toughest competition and the transatlantic route is the most fiercely contested of all. Through its MCI alliance, BT wants to establish itself as the leading international operator for multinationals, and it fears that a significant loss of international business to new competitors will hamper it in this ambition.

Mercury, BT's largest UK competitor, stands to be the main loser from a transatlantic telecoms price war. The company earns nearly half its income from international calls and is under intense pressure from new UK operators targeting the business market.

A Zairean paratrooper fires into the air to discourage Rwandan refugees from crossing the Ruzizi bridge into Zaire yesterday after the closure of the border. The refugees, mainly Hutus, fear reprisals from Rwanda's Tutsi-led government. Panic as French quit Rwanda, Page 4 Reuter

Mexico's 'clean' polls draw criticism

By Stephen Fidler and Damian Fraser in Mexico City

Votes were cast yesterday in Mexico's presidential and congressional elections with the candidate for the ruling Institutional Revolutionary party (PRI), Mr Ernesto Zedillo, the strong favourite to win the contest for president.

However, three candidates went into the elections claiming they had a chance of victory.

Although the elections are widely expected to be the cleanest in Mexican history – with more than 81,600 domestic observers and more than 900 foreign visitors watching the vote – there remained scepticism that the elections would be truly fair.

Opinion polls showed Mr Diego Fernández de Cevallos of the right-leaning National Action party in second place, and Mr Cuauhtémoc Cárdenas of the left-leaning party for Democratic Revolution (PRD) in third place. However, recent opinion polls, unpublished in Mexico, showed a late increase in support for the PRD candidate, particularly in Mexico City.

Mr Cárdenas last week called on supporters to gather in town squares around the country at midday today, and these are expected to turn to protest if the PRD candidate cries foul. Already, observers have pointed to big discrepancies in campaign spending between the PRI and the other parties, and an alleged bias in television and press reporting. There has also been criticism that complaints about breaches in the electoral law, most against the ruling party, have not been processed quickly enough.

The rebel Zapatista Army for National Liberation – which launched a peasant revolt in the southern state of Chiapas at the beginning of the year – said it

Continued on Page 12

Conservatives in final drive to defeat Clinton crime bill

By Nancy Dunne in Washington

Conservative Republicans and gun lobbyists yesterday mounted a final effort to defeat a crime bill with a provision banning assault weapons and to deny President Bill Clinton a victory he desperately needs to rescue his wobbling presidency.

Mr Leon Panetta, the White House chief of staff, was unable to predict victory in a vote scheduled for late afternoon. House Democrats and moderate Republicans negotiated frantically through Saturday night, the result being a bill that Mr Panetta contended was an improvement on the one which failed on August 11, angering Mr Clinton.

To meet the demands of Republic moderates, the Democrats agreed to a compromise bill that would cut $3.3bn from a $33.5bn bill and eliminate or consolidate many of the "crime prevention" social programmes favoured by Mr Clinton. The proposed legislation retained the tougher sentencing components, which the administration had hoped would attract conservatives.

Funds to provide incentives so that local governments can hire 100,000 local police – a Clinton campaign promise – were kept, and local governments were given a greater say on how the funds would be spent. Negotiators agreed to drop a youth jobs training programme which had been favoured by the president.

Democrats and Republican negotiators laboured on through the weekend as two threats to the legislation emerged. A rival bill was introduced by the conservatives and gun lobby. It contained no social programmes and excluded the ban on assault weapons. Mr Newt Gingrich, the combative conservative Republican leader, supported this alternative, citing its stronger capital punishment provisions.

The Clinton compromise, supported by Republican moderates, was also threatened by loss of support by House liberals – members of the black caucus in particular – who were unhappy about the loss of the social programmes, which had initially attracted their support to the bill.

Congress has been trying to pass a major crime bill for six years. Past legislation addressing the US crime problem failed to stem violence, despite an imprisonment rate that exceeds every other industrialised country.

This crime bill was supposed to be different because it provided for prevention programmes, which had bought liberal support; increased funds for prisons and police; and added a popular gun control measure.

CONTENTS

						Qatar	QR13.00
Austria	Sch32	Greece	Dr350	Lux	LFr65	S.Arabia	SR11
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	Singapore	S$4.30
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Slovak Rp	KS50
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.00	South Africa	R12.00
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	Spain	Pta225
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Sweden	SKr18
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Switz	SFr3.30
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£50.00
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Tunisia	Din1.500
France	FFr9.50	Kuwait	Fils.625	Poland	Zl 32,000	Turkey	L30000
Germany	DM3.50	Lebanon	US$1.50	Portugal(m'land)	Esc225	UAE	Dh12.00

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Latvia in crisis as troop deadline nears

Ten days before the last Russian troops are due to leave the tiny Baltic state of Latvia, the country is in the grip of an acute political crisis, with no government and little chance of this changing soon, Reuter reports from Riga.

Efforts by President Guntis Ulmanis to patch together a formula to end government paralysis collapsed on August 18 when parliament withheld endorsement of a conservative minority team.

Political observers said the 54-year-old president was unlikely to call early elections. But he was also not likely to be able to get a permanent government in place this month.

Russia's Itar-Tass news agency said Ulmanis would probably ask Latvian Way, the largest parliament faction, to form a government after a political crisis triggered when the Farmers' Union abandoned a previous coalition.

But the agency said other parties were likely to set conditions for the return of the party, which backs free market economics, privatisation and tough monetary policies.

The political crisis has hit Latvia as it seeks to appease the international community and Russia over a controversial citizenship law and looks anxiously to the final stage of a Russian military withdrawal.

In parallel operations signalling the end of the Russian military presence in the Baltics, Moscow has undertaken to remove all its remaining 7,000 fighting men from Latvia and its 2,000 from Estonia by August 31.

In spite of an institutionalised mistrust of Russian intentions, few in Latvia doubt Moscow will honour that commitment.

But a deal to let the Russian early warning station at Skundra function for another four years and a concession to give residency rights to thousands of ethnic Russian army pensioners still rankles with many in the Latvian political establishment.

Ethnic Russians, most of whom arrived after the Soviet Union annexed Latvia in 1940, make up 33 per cent of the 2.56m population.

Reaching a decision about their future acceptable to Russia and the international community while reviving Latvian national identity has been a challenge for post-independence governments.

Russian President Boris Yeltsin has not reneged on the troop withdrawal commitment, but he has hinted at some form of economic retaliation.

In an attempt to resolve the government crisis, Ulmanis asked Andrejs Krastins, a member of the National Conservative Party (LNNK), to form a new government.

But parliament refused to approve his team, in part because of fears it might embark on nationalist policies that would upset the Russians further at a crucial moment.

The LNNK, which has taken a tough line on ties with Moscow and on the rights of the Russian-speaking population, has only 15 seats in the 100-seat parliament and was trying to form a government without Latvian Way.

Liberals said a LNNK government would seek to undo agreement on Russian troop withdrawals, on citizens' rights and on a free trade accord with the European Union reached by the old government of Valdis Birkavs.

But others in Latvia, where suspicions of Russian mischief run deep, say it was necessary to have a strong leadership in place in the run-up to August 31 and the immediate aftermath.

Troubled skies cause blips in Athens

Radar worries and a traffic controllers' row are raising tempers, writes **Kerin Hope**

So incensed were some Greek travellers at the delays caused by an air traffic controllers' go-slow that they pushed aside the security guards and staged an impromptu sit-in earlier this month on the runway at Athens airport.

Since the start of the peak tourist season in July, both charter and scheduled flights leaving the country's airports have been delayed by up to three hours. Conditions are worst in the afternoons and at weekends, when demand is highest for landing slots at Athens and at important tourist resorts such as Rhodes and Heraklion on Crete.

Already under great work pressure, Greece's 380 air traffic controllers have added to the summer temperatures by demanding a substantial real pay rise, claiming they should be exempted from public sector wage restraints, which restrict increases to 10 per cent this year to match the anticipated inflation rate.

"We get seniority rises at the same rate as other Greek civil servants with university degrees, but nothing to compensate for specialised skills, or for doing a stressful job with inadequate equipment," says Mr Panayotis Tsoubelis, chairman of the controllers' union. "The result is a higher staff attrition rate than anywhere else in the public sector."

Greece's transport minister, Mr Theodore Pangalos, agrees in principle that the air traffic controllers are entitled to a higher salary scale, and more training for what is becoming a steadily more demanding job. But he wants the union to agree in writing to postpone its pay demand until next year. The controllers decided to rejected Mr Pangalos's terms just as the August rush of charter flights started. The result is that, with tourist arrivals forecast to rise by about 10 per cent this year to almost 11m, pressure on the country's outdated air traffic control system has never been greater.

"There is a crush of traffic across Greek airspace in summer, with the number of flights more than doubling to 1,500 a day," says Mr George Stamboulidis, a senior civil aviation official. "But we still don't have the facilities to ensure smooth flow management."

Athens airport is among Europe's busiest, handling more than 10m passengers a year. Yet it has only one runway and its air traffic control centre relies on a short-range radar system dating from the 1960s. Outside its 40-mile range, the air traffic controllers rely on talking to pilots over a VHF radio link.

Says a pilot for a charter operator: "After you've been cruising quietly across Europe, Greek airspace seems chaotic. Sometimes the frequencies are so busy you don't get a chance to give your position before making the approach to Athens."

A new approach radar for the Athens area was due to start operating in mid-1992. It was intended as the first stage of a $46m (£29.7m) turnkey project, awarded in 1991 to Thomson-CSF, the French electronics manufacturer, to update Greece's air traffic control system to international standards.

The new system would immediately increase Greece's air space capacity by at least 15 per cent by providing full radar coverage. Traffic from important Greek airports would move faster, as aircraft flying at the same altitude and speed would no longer have to be kept 60 miles apart to ensure a 10-minute safety margin between flights.

Much of the Thomson equipment is now in place, but the new Athens approach radar is not yet working. One senior Greek civil aviation official says: "You expect delays on this kind of project, mainly because of local topography. But the problems have gone on so long, we're beginning to think Thomson's original specifications for the project were incorrect."

Thomson says the radar is situated in a "difficult environment" at Athens airport, between a mountain and the sea, with several islands nearby. It maintains that the system operates to international standards and is being specially modified to satisfy the demands of Greek air traffic controllers.

The controllers complain that the radar, which gives a computer-controlled image of an aircraft and its flight path, cannot be used in its present form. Says one: "The screen gives you wrong information – two aircraft when there's only one, or no aircraft at all in one area when you already know it's there. It's not reliable, so we switched it off."

If the radar's problems cannot be sorted out by the end of the year, the government may revoke the contract with Thomson and choose another system, civil aviation officials say. In the meantime, tourists flying home from Athens can resign themselves to a long wait on the tarmac.

Coalition tries to defuse Italian bank row

By Andrew Hill in Milan

Members of Italy's governing coalition tried over the weekend to play down the significance of a dispute between the country's transport minister and the central bank over a planned merger between two banks.

Mr Publio Fiori, the transport minister, publicly criticised the Bank of Italy last week for allegedly ordering the Banca Nazionale delle Communicazioni to hold a board meeting next Saturday to consider a merger with Istituto Bancario San Paolo di Torino, one of Italy's biggest banks.

BNC is controlled by the Ferrovie dello Stato, the Italian state railway. Mr Fiori and fellow members of the right-wing National Alliance believe the interests of the railways would be better served if BNC accepted an offer from a smaller bank, Cassa di Risparmio in Bologna.

The Bank of Italy has refused to discuss Mr Fiori's comments, although bank officials quoted in the Italian press over the weekend strongly denied separate allegations by other members of the National Alliance that the central bank had misused secret funds for promotion and consultancy work.

The National Alliance was criticised by the opposition and by coalition allies over the weekend. Mr Gianni Letta, chief of staff of Mr Silvio Berlusconi, Italy's prime minister, came to the defence of the Bank of Italy, declaring that "respect for the independence of the central bank is a sacred and inviolable principle".

But senior members of the National Alliance denied that the attacks on the central bank represented a party line, while Mr Fiori's office said the minister's chief concern was the bank's attitude to the BNC offer.

The Bologna bank has not made a formal bid for BNC, and its directors only return from holiday today, but bankers say it plans to offer some L380bn (£154m) in cash for a majority stake, whereas the San Paolo merger would be based on an exchange of shares.

Discussion of BNC's future, which began in March, was suspended by the government earlier this month to allow alternatives to be considered, but Mr Fiori has accused the central bank of "incredible behaviour" and trying to force acceptance of the San Paolo bid with a "summer holiday blitz".

Meanwhile, Italy's coalition parties are jockeying for political advantage ahead of Friday's cabinet meeting, the first since the Bank of Italy was forced to raise interest rates 10 days ago.

Milosevic struggles to pluck Bosnian thorn

The Bosnian Serbs' sticking power has surprised the Belgrade president according to **Laura Silber**

With an unprecedented tirade against Bosnian Serb leaders, Belgrade at the weekend began what it hopes will be a decisive push to seal an international peace plan for Bosnia and shift blame for the war.

But President Slobodan Milosevic of Serbia is finding his task more difficult than he had calculated. An aide close to Mr Milosevic confided that "we did not expect it to be so hard to get rid of them."

"Them" are the Bosnian Serbs, once equipped and nurtured by Belgrade and now a problem as Serbia struggles to escape from the west's crippling economic sanctions.

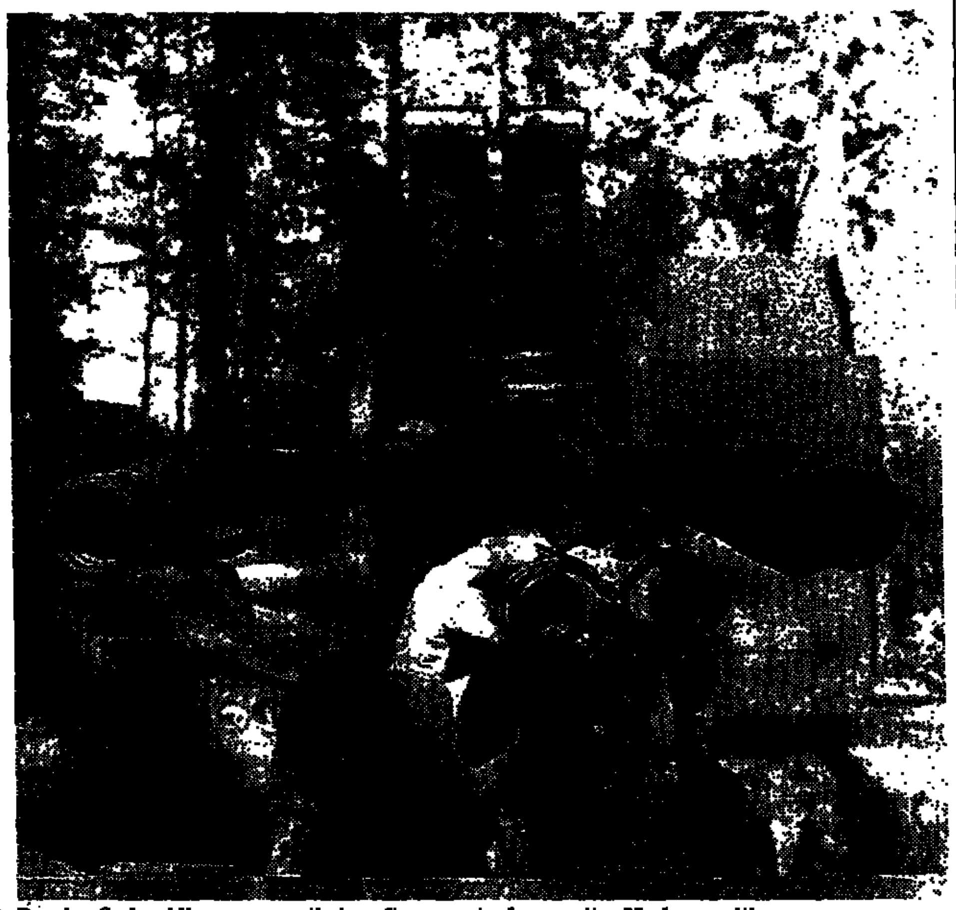
Mr Milosevic had begun preparing the ground for a split with Belgrade's Serb brethren in Bosnia for a year, but he has ended up having to rush the job. When the international community set a deadline last month for Bosnian Serb acceptance of its plan for a partitioning of Bosnia and the Bosnian Serbs rejected it, Belgrade ran out of time and imposed a land embargo against the Bosnian Serbs on August 4.

Still, the Bosnian Serbs remain defiant. While playing down the conflict with Serbia, Mr Radovan Karadzic, the Bosnian Serb leader, insists on going ahead with plans to hold a referendum next Sunday on the proposed partition map. It requires the Bosnian Serbs to hand over one third of the 70 per cent of Bosnia they currently control and the referendum is highly unlikely to approve it.

Thus, Mr Milosevic was likely to have been pleased yesterday when the already-isolated Bosnian Serb leaders suffered another setback when rebel Serb leaders from Croatia – in a move orchestrated by Belgrade – said the unification of their self-styled Serb states should be postponed until after the war.

That pronouncement fits neatly into a broader campaign taking shape in Serbia to destroy popular support for the Bosnian Serb leadership. In a fierce attack published at the weekend, a senior Serb figure accused Bosnian Serb leaders of corruption and of "repeatedly breaking their promises to halt the bombardment and agony of civilians in Sarajevo". For the first time, Belgrade accused the Bosnian Serb leadership of being implicated in atrocities against civilians.

In the newspaper interview Mr Zoran Lilic, the president of rump Yugoslavia (Serbia and Montenegro) and a mouthpiece for Mr Milosevic, hinted that Mr Karadzic was involved in the kidnapping and suspected murder of 21 Moslem men – citizens of Yugoslvia – who were dragged off a train 18 months ago. He said the incident was aimed at drawing Yugoslavia into war.



Bosnian Serb soldiers on an anti-aircraft gun yesterday monitor Moslem positions Reuter

"We cannot allow three men in Pale (the Bosnian Serb mountain stronghold close to Sarajevo) to determine the fate of all Serbs," he said in reference to the political troika which rules the self-styled Serb mini-state within Bosnia.

Aides to Mr Milosevic hope that General Ratko Mladic, the Bosnian Serb commander, may be at odds with his leaders and may play a decisive role in bringing them to heel.

The accusations from Belgrade may also signal a local crackdown on suspected war criminals – another attempt to curry favour with the international community and win the easing of sanctions. They follow calls from the influential communist party, which counts among its leaders Mrs Mirjana Markovic, Mr Milosevic's wife, to bring suspects to trial, some of whom until recently were being doted upon by state-run Television Serbia.

Reports say Mr Milosevic is poised to arrest Mr Zeljko Raznatovic, known by his alias of Arkan, a former MP and commander of the Tigers, a fierce paramilitary unit which is accused by Croats and Moslems of atrocities in Croatia and Bosnia, and Mr Vojislav Seselj, an MP who also commanded an ultra-nationalist paramilitary unit.

The interview with president Lillic made clear Mr Milosevic's preoccupation with finding a scapegoat – his Bosnian Serb kin – in order to secure a positive role in Serbian history in a land obsessed with its past. His long preparation for the break with Mr Karadzic involved the rekindling of historical divisions between Serbs – Communist Partisans and Royalists Chetniks in the Second World War – and Serbs from Serbia and those from Bosnia over the frontier River Drina.

Mr Milosevic has resisted efforts to despatch international monitors to the Drina, Serbia's frontier with Bosnia, on the grounds that this would expose him to criticism from opposition parties.

He may, however, be afraid of his own allies. Elected as a nationalist in 1987, the current wisdom is that he has now turned his back on nationalism. But taking on Mr Karadzic in Bosnia is one thing. . He believes it is too early to challenge nationalists within the ruling elite in Belgrade.

Moslem refugees pour out of Bihac

Tens of thousands of refugees yesterday streamed out of Bihac, the Moslem pocket in north-western Bosnia as UN officials said Bosnian government troops had overrun it, Laura Silber reports from Belgrade

Bihac has been the stronghold for nearly a year of a rebel Bosnian Moslem leader, Mr Fikret Abdic, a communist entrepreneur. The destruction of his effort to form a personal fiefdom in Bihac will bolster the Bosnian army, which has used its important 5th Corps and could free up troops to fight against Bosnian Serb forces elsewhere in Bosnia.

UN refugee officials said as many as 20,000 people had been displaced over the weekend, according to unconfirmed reports. Panicked civilians were trying to flee the dense Moslem heartland into Serb-held areas of Croatia.

"Roads are flooded by people," said Mr Peter Kessler, spokesman for the UN High Commissioner for Refugees. UN officials yesterday were trying to help the refugees – some of whom were trapped in a mined no-man's land between rebels Serb forces and Croatian troops.

Croatia so far has allowed 50 ethnic Croats to cross the border, said a UN official. Rebel Serbs were chasing the refugees into the minefields, said Mr Kessler.

Refugees started to leave the Bihac pocket when Mr Abdic's revolt began to collapse last week. Bosnian army troops gained control of the dense Moslem heartland early yesterday, reported Sarajevo radio.

UN wrestles with global warming

By Bronwen Maddox in New York

Turning the ambitious aims of the 1992 Rio Earth Summit into reality is the task facing officials meeting today at the United Nations in Geneva.

Representatives from more than 100 countries will wrestle this week with curbing global warming, an issue ducked at Rio. The most controversial point is whether to draw up international targets beyond the year 2000 for curbing emissions of gases thought to cause global warming.

"Rio was one of the fastest international agreements on the environment that has ever been reached," said one observer at the Geneva preparations, "but some of the most important issues about how to implement it have been left until now."

This summer's heatwave in Europe has renewed interest in the threat of global warming, which scientists believe may follow a build-up of "greenhouse" gases such as carbon dioxide in the atmosphere.

Rio's framework convention on climate change, together with a separate treaty on protecting the diversity of species, were the Earth Summit's most tangible achievements. But environmental groups such as Greenpeace have criticised the climate change convention for failing to address emissions beyond 2000.

Under the convention, industrialised countries have pledged to draw up plans to bring emissions of "greenhouse" gases back to 1990 levels in 2000, but make no commitments beyond that year. UK ministers have warned that UK emissions are likely to rise sharply after that.

The convention also asks developing countries to improve energy efficiency. However, there is controversy about how those efforts should be funded. Signatories have agreed that funding should be channeled through the Global Environment Facility, a fund administered jointly by the UN and World Bank. But there is still disagreement over the criteria used to select projects, and the route through which payments should be made, including whether the money should be distributed by developing countries' governments.

Officials are under pressure to resolve issues before the UN conference in Berlin in March.

Tighter N-security planned

By John Thornhill in Moscow

Mr Bernd Shmidbauer, Germany's intelligence co-ordinator, will report to Bonn today on how to combat international plutonium smuggling, following a series of meetings with Russian security officials over the weekend.

Diplomats in Moscow suggested the initiative might lead to creation of a joint task force and increased financial aid to tackle the lethal trade. German authorities have uncovered several stashes of stolen plutonium in recent months.

Mr Shmidbauer said the talks had been conducted in an excellent climate and in total openness. "I believe we will achieve excellent joint results and good co-operation, and the questions which have been the subject of speculation can then be solved," he told German TV.

But tensions remained behind the smiles. Russian pride has been pricked by western criticism of lax security. Intelligence officials have continued to deny there is any convincing evidence that plutonium found on a recent Lufthansa flight from Moscow to Munich had been stolen from a Russian plant. Any nuclear material carried on to that aircraft would have been detected by scanning equipment at Sheremetevo airport, they say.

German politicians, such as the foreign minister, Mr Klaus Kinkel, have backed plans to provide more funds to convert Russia's nuclear programme to more peaceful ends. Others have hinted at a tougher approach. Mr Theo Waigel, finance minister, was quoted in the German press as saying future financial assistance to Russia would be linked to co-operation in the fight against nuclear smuggling.

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Sweden anxious for market verdict on budget plan

By Hugh Carnegy in Stockholm

Sweden's financial markets, which over the past two months have been in frenzied mood over the alarming state of the public finances, will today give their verdict on the latest proposals from the Social Democratic party for tackling the yawning budget deficit.

The package of tax rises and expenditure savings published by the Social Democrats on Friday evening were a direct response to market fears – expressed through the tumbling value of the Swedish krona and rising long-term interest rates – that the country's biggest political party, champion of the mighty welfare state and likely winner of next month's election, was being dangerously vague about how it will deal with a public debt that amounts to approaching 100 per cent of gross national product and is still rising fast.

While the argument will rage on until the election over whether the Social Democrats' SKr61bn (£5.06bn) savings package goes far enough, one important principle at least now seems to have been established that unites both the opposition and the four right-centre parties of Prime Minister Carl Bildt's incumbent coalition.

It is that public debt must be stabilised by the end of the new government's four-year term in 1998 and that renewed inflation, historically the preferred Social Democratic way of getting out of financial trouble, must be avoided.

This helped win the Social Democratic package a positive – if guarded – initial response from Mr Björn Wolrath, chief executive of the insurance group Skandia, who triggered much of the market turbulence in June when he announced Skandia would boycott government bonds until the political parties produced a credible plan for dealing with public finances.

The gap in Sweden between opponents and supporters of the European Union is narrowing ahead of a referendum on November 13, an opinion poll published yesterday showed, Reuter reports from Stockholm.

The survey, published in the daily Goteborgs Posten, said support for a No vote had fallen by four percentage points from the previous poll to 41 per cent.

Support for Europe remained unchanged at 37 per cent, meaning the difference between the two camps was only four percentage points, the narrowest gap since April 1992.

Swedes are becoming more indecisive about whether to join the 12-member Union. The survey, conducted by the Sifo polling institute, showed the number of undecided voters had increased to 20 per cent in August from 16 per cent in the previous June poll.

Sweden hopes to join the Union along with Norway, Finland and Austria from January 1, 1995.

Mr Wolrath said he would be reconsidering the boycott in the light of the Social Democratic proposals. "On the presumption that there is a broad majority in parliament to carry through strong measures, we will buy Swedish bonds again," he said.

But fierce debate over the extent and mix of measures needed to achieve the double goal of reducing the SKr200bn budget deficit and fostering a faltering economic recovery may yet continue to unsettle markets.

The first difference between the Social Democratic programme and that agreed by the government parties lies in scale.

The government parties have proposed strengthening the budget by SKr101bn by 1999, SKr40bn more than the opposition, although SKr20bn of this total has not been detailed. The Social Democrats are betting higher growth and a fall in unemployment will help close the budget gap. If not, they will take tougher fiscal steps.

But a problem for both sides may lie in a vicious circle of high deficit costs crimping economic growth. The government's fiscal plan envisaged 3 per cent annual growth in the second half of the decade; already next year's growth forecast of 3 per cent growth has been cut to between 1 and 2 per cent because of the effects of high interest rates.

The second big difference is over the mix of fiscal policy. The SKr61bn Social Democratic programme consists of SKr27.4bn in tax increases – mostly through raising marginal income tax from 50 to 55 per cent, restoring taxes on dividends and raising capital and wealth taxes – and SKr33.6bn in savings.

By contrast, the SKr81bn programme detailed by the coalition contains just SKr15bn in new tax revenues, while cuts in transfer payments total SKr26bn and (unspecified) cuts in public consumption a further SKr35bn. (The balance of SKr5bn is accounted for by pension reforms).

Industry and business have been quick to criticise the Social Democrats for over-emphasising tax cuts and not facing up fully to the need to cut public spending, which accounts for 70 per cent of GNP.

Last week, Mr Lars Ramqvist, chief executive of Ericsson, the telecommunications company, said tax increases would be a "knife in industry's back" just as most companies are returning to health after the recession.

They would threaten Ericsson's ability to keep the highly skilled staff it needs in Sweden, he said.

Cubans in Florida accept policy switch

By James Harding in Miami

The Cuban-American community in Florida appears to acknowledge the need to stem the flow of would-be immigrants to the US as refugees from the Caribbean island.

Even so, the community is showing a mixture of outrage and resignation, as well as relief, at Washington's decision to change its policy.

Now those fleeing Cuba are apt to find themselves back on the island – in detention at the US base of Guantánamo.

The change in US policy to Cuban refugees, which until last Thursday was welcoming those fleeing the Castro regime and offering them the possibility of permanent residence status after one year, did little to deter those launching their rafts from Cuba's northern shore to cross the Florida Strait.

The US Coast Guard in Florida reported it had picked up a further 1,189 people on Saturday, the highest one-day total so far this year and nearly three times the number of such Cuban refugees who arrived in the whole of 1990.

As the US administration continued to refine its policy on Cuba, President Bill Clinton seems to have won support in both Florida's non-hispanic and established Cuban-American communities for closing the door on refugees.

A survey of 240 Florida citizens, by the Miami Herald, showed 66 per cent support for Clinton's decision and 43 per cent not wanting detained refugees given a chance to apply for asylum.

Governor Lawton Chiles of Florida and all rivals likely to challenge his bid for re-election in November approved a tough stance on Cuban refugees, an indication of how they judge the attitude of non-hispanic voters in Florida.

Mr Jorge Más Canosa, chairman of the Cuban-American National Foundation, the community's most powerful lobby, endorsed the Clinton administration's decision.

Fears of second-generation Cuban-Americans well established in Floridaw ere put clearly by Eduardo, a student of dentistry from Miami, who said: "The people coming over are Cuba's garbage. They give Cubans who have come over here and worked their way up a bad name."

The Transit Centre for Cuban Refugees at Key West, on the southern tip of Florida,was empty of would-be immigrants by Saturday morning, but full of disappointed relatives who had come down from Miami hoping to be reunited with family and friends newly picked up at sea and brought ashore. There was an angry demonstration.

Mr Lincoln Diaz Balart, a Miami Republican and one of three Cuban-Americans in the US Congress, said that Mr Clinton's reversal of policy on Cuban refugee immigration demanded an equivalent change towards a tougher approach to dealing with President Fidel Castro of Cuba.

"If you're going to have a Haitian-style immigration policy for Cubans, you should also have a Haitian-style foreign policy for Cuba," Mr Díaz Balart said.

One of the fiercest critics of the long-standing US embargo on trade with Cuba is Mr Eloy Gutiérrez Menoyo, director of Cambio Cubano (Cuban Change) in Miami. He advocates a "good-neighbour policy with Cuba", involving negotiations with Mr Castro to bring political democracy to the island in return for a gradual opening of trade.

See Editorial Comment

Black civil rights leader dismissed

By George Graham in Washington

The firing of Mr Benjamin Chavis as executive director of the National Association for the Advancement of Colored People brings to an end one of the most tumultuous episodes in the 85-year history of the oldest and largest US civil rights organisation.

Mr Chavis, a fiery preacher who has sought to bring younger and more radical blacks into the NAACP, was sacked by a nearly unanimous board of directors, after an eight-hour emergency meeting in Baltimore on Saturday.

The board said Mr Chavis had "embarked on a course of conduct which is inimical to the best interests of the association."

The immediate cause of his dismissal was the controversy over a \$332,000 (£214,000) settlement reached, using NAACP funds, with a former assistant who had charged him with sexual discrimination and later with sexual harassment.

Mr Chavis has denied the charges. He said after his dismissal that he was "the victim of an orchestrated campaign to defame my character and my integrity."

The allegations threw fuel on a deeper argument over the philosophical departure which Mr Chavis had sought to bring to the NAACP.

NAACP head Benjamin Chavis, with his wife Martha, talks to journalists after he was fired Picture AP

In the organisation's heyday – the 1950s and 1960s, when it won a series of civil rights victories in the US courts and the Congress – its leaders used to keep to the country's integrationist mainstream, allying itself with Jewish groups and white liberals, but shunning black nationalist leaders such as Malcolm X.

Mr Chavis, in contrast, has lately held meetings with urban gangs and, most controversially, has sought to embrace Mr Louis Farrakhan, head of the Nation of Islam organisation.

Mr Farrakhan outstrips other US black leaders in his appeal to young urban blacks. But his anti-semitism has made him the object of fierce argument.

Mr Chavis's overtures to him have repelled many of the remaining Jewish backers of the NAACP, as well as many black moderates, and have turned away some corporate contributors.

The debate will continue to simmer after Mr Chavis's departure. NAACP leaders in the 1950s regarded the go-it-alone ideas of the black nationalists as "segregated thinking", but such ideas have since been linked with the "empowerment agenda" of conservative political thinkers.

This brings a response from many black activists, who feel the time has come for organisations such as the NAACP to move away from a programme basically aimed at getting white people and white institutions to change, and to concentrate instead on self-help within the black community in the US.

Mr Chavis's successor will have to cope not only with this philosophical divide, but also with a series of organisational problems.

Precise facts about the NAACP's finances and membership are unclear. Mr Chavis and his opponents continue to argue about whether he inherited a financial deficit and whether he has increased membership. The organisation itself has refused clarification.

It appears certain, however, that the NAACP faces a deficit of about \$3m, worsened at least in part by Mr Chavis's extensive travel programme and by substantial pay increases he awarded to senior staff.

What's more, even if Mr Chavis has increased the NAACP's membership, which some critics dispute, that increase has come overwhelmingly among young members who pay much lower dues and thus are doing less to dig the NAACP out of its financial hole.

INTERNATIONAL PRESS REVIEW

Fretting about Fidel Castro

FLORIDA

By James Harding

A slow-motion Mariel, as the current exodus of hundreds of Cuban migrants to the US has been called because it resembles the 1980 boatlift of 125,000 refugees, was a human interest story early last week. The press, in chorus, registered admiration for the courage of those crossing the Florida Strait. Reference was made to the Mariel crisis, but the consensus appeared to be that the news was about Cuban people, not US policy-makers.

There was, even so, perhaps some disagreement over policy. In a scrap that seemed to go against type, a *Wall Street Journal* editorial advised against lifting the US trade embargo against Cuba for fear of reviving President Fidel Castro, while the *Washington Post* leader suggested that the US trade embargo against the Caribbean republic, hand-in-hand with a US policy of welcoming Cuban refugees, was responsible for the accelerating flow of migrants and that US policy needed a rethink. In general, however, there was not much to differentiate US newspaper coverage of the flight from Cuba.

But last Thursday night, when Ms Janet Reno, US attorney-general, announced a reversal of Washington's 30-year-old policy on Cuban immigration and said that would-be immigrants picked up off the Florida coast would be detained at third-country safe havens, all that changed. President Bill Clinton closed the door on Cuban refugees, but opened the debate on US relations with Cuba.

On Friday morning, the *Miami Herald*, Florida's largest English-language daily, endorsed a hard-line on immigration and called on the federal government to relieve Florida of the burden of Cuban refugees. The editorial revolved around a demand from Dade County, which incorporates Miami, to be reimbursed for state and county expenditure on refugees, claimed to be \$1.6bn (£1bn) since the mid-1980s. The Miami Herald responded to Ms Reno's comment that the federal government has spent \$44m on refugees this year by saying: "Since Mariel, Dade and Florida have spent many times that sum on refugees. They're a federal responsibility, not ours."

The fact that Mariel is a "sad memory for many political North Americans" was acknowledged by *El Nuevo Herald*, the Miami Herald's Spanish-language counterpart. Although El Nuevo Herald comes folded into the English daily, the thrust of its editorial was different. No reference was made to the state's finances or the federal government's duties to protect Florida residents. Rather, attention was on how to deal with Mr Castro. Headlined "What are the Americans waiting for?", the leader railed against the US administration, Was it waiting for "television pictures of the bodies of women, children and old people, massacred on Cuba's shores, before they denounce the genocide before the United Nations?"

El Nuevo Herald called on Mr Clinton to take a "golden opportunity" to use the US "free hand in the UN security council" to get a transition in Cuba to free elections, the organisation of political parties and observation of human rights – supervised by the UN.

In *Diário Las Américas*, a Florida Spanish-language daily, Monsignor Agustín Román, Auxilary Bishop to the Miami diocese and spiritual leader to most of the Latin community there, concurred that the central issue is what happens in Cuba. He warned against addressing the effects of the problem (the exodus, one presumes) "without dealing with its cause" (Mr Castro).

However, the divisions in Florida's coverage are by no means clearly along Cuban-American *vs*. North American lines. Even in one edition of the Miami Herald, there appears to be a variety of opinion over the merits of the 1966 Cuban Adjustment Act by which, until Thursday, the US had granted Cubans fleeing their country refuge in the US and eligibility for permanent residence status after one year.

On the Herald's front page, an article implied this was unfair: "Cuban refugees have been the privileged few, accorded rights no other group receives", adding reference to the thousands of Haitians who have been detained lately while trying to enter the US.

On the inside pages, however, barring access to the Cubans is represented as an injustice: "For 30 years it has been unthinkable to refuse asylum to refugees from Cuba who crossed the liquid Berlin Wall that is the Florida Straits ... Clinton labeled the flight of refugees from Cuba 'illegal', a word no-one would have used in the past to describe those fleeing hard-line countries that were part of the Soviet bloc."

But, after all, it's vacation time. *The Citizen*, the broadsheet in Key West on the southern tip of Florida, reported holidaymakers' reactions under the headline: "A state of emergency, where?"

Great reformer near to his meeting with Karl Marx

Tony Walker looks back over the 15 years since Deng Xiaoping's assumption of supreme power in China

The Chinese capital, in the bleak winter of 1979, was one of more forbidding places on earth. Icy winds from Siberia gusted down through the city and a brief "Peking spring", in which faint dissenting voices were heard, had chilled with the arrest of the more adventurous spirits.

Reporters, would gather in the cold near a grimy bus station to observe progress of a flickering pro-democracy movement whose members pasted their *dazibao* or "big character" posters on a wall facing the city's main boulevard.

Those were uncertain times in China. Observers of the Chinese political scene might complain now about an opaque system that reveals little of its inner workings, but in the days when Mr Deng was re-asserting control, the picture was much murkier. Journalists were reduced to driving late at night around the Great Hall to check whether an important meeting was in progress.

In those strange early days of the post-Mao era we would monitor, as best we could in a twilight political world, the fortunes of one man, Mr Deng Xiaoping, then a spritely 75-year-old, who was beginning his rise and rise; although no-one in that era could (or did) forecast just how far Mr Deng would ascend to claim the "mandate of heaven".

Today, the frail and reclusive Mr Deng turns 90. He is hailed as the architect of China's remarkable transformation from a closed, inward-looking society traumatised by the mass political campaigns of the Mao-era to a country apparently on the way to becoming a powerful economic force.

A building worker in Shenzhen yesterday in front of a poster of Deng Xiaoping which calls for support for the Communist party AP

All this economic promise was hardly the subject of even the most fanciful speculation in China of the late 1970s as Mr Deng began to take control at the fateful third plenary session of the 11th Communist Party Congress in December, 1978. Then, the talk was about whether the reformists could break the shackles of Maoist dogma and dare even to begin dismantling the peasant communes and establish a system of free markets.

It was not at all clear in those days whether Mr Deng and his reformist faction would triumph over the "whateverists" (those who vouchsafed that "whatever" Mao said and did was right). It is perhaps hard to believe now that we might have doubted Mr Deng would prevail, but in late 1979 and early 1980 a great deal of uncertainty permeated the political atmosphere.

Indeed, it was one of those unheralded and un-reported occasions in early 1980 that Mr Deng signalled in a speech to several thousand *cadres* in the Great Hall that he had more or less wrested control from his opponents, among them die-hard Maoists, party conservatives, and those who were nervous about a new broom. It was in that speech that the redoubtable Mr Deng laid down what were described as the "great tasks" for the 1980's and 1990's, including his call for a quadrupling of China's GNP by the year 2000.

When the "secret" speech was finally published several months later after being circulated and debated among the tens of millions of communist party members, his GNP target was ridiculed. At the time we wondered if Mr Deng may not have been dreaming.

With debate in China consumed by the nitty gritty of economic reform, it is worth recalling that Mr Deng's early battles after he re-emerged in 1977 – he was purged twice during the Cultural Revolution of 1966-1976 – had much less to do with economics than they did with laying to rest the ghosts of the past.

Thus, he recognised that before China could get on with the business of joining the modern world, it was necessary to address the legacy of Mao Zedong. He supervised personally the 1981 Resolution on the Party History which concluded that while Mao had made mistakes, he had also made a great contribution to China.

Ever the pragmatist, Mr Deng argued at the time "that to build up Mao's errors too much would only damage the image of our party and our country, and harm the prestige of the party and socialist system".

Preservation of party control at almost any cost has been one of Mr Deng's cardinal principles. A fear of chaos, should that control unravel, has never been far from his concerns. These worries have fed an authoritarian streak consistent with his behaviour throughout a long career.

Mr Deng may go down in history as one of the century's great reformers, but he has not tolerated dissent. On two occasions in the post-Mao era he suppressed ruthlessly political movements that did not square with his vision of an orderly society under party control.

The first occasion was the arrest and detention for 15 years of Wei Jingsheng, the "democracy wall" activist who had criticised Deng directly in his political testament, titled the "Fifth Modernisation".

On the second, Mr Deng was ultimately responsible for the suppression of Tiananmen protests of 1989 with unnecessary loss of life. China's senior leader has evinced no remorse publicly for either of these actions, and nor is he likely to in these fading moments.

Inevitably, accounts of Mr Deng's achievements on his 90th birthday have the ring of an obituary about them. The end for China's senior leader must be fairly near judging by his appearance when he was shown on television in Shanghai early this year, but it is also true that Mr Deng has shown an extraordinary tenacity throughout a turbulent life.

He has said that he hopes to visit Hong Kong after it returns to China's rule in 1997, and while few would give him much chance of realising his dream, he has confounded the sceptics before and achieved other goals that seemed out of his reach.

Not least of these achievements is surviving well beyond the date when Mr Deng, with his maudlin wit, had expected to keep his appointment with Karl Marx.

Panic as French quit Rwanda

France yesterday pulled out its last troops from Rwanda leaving hordes of frightened Hutu refugees held back by Zairean paratroopers firing into the air at a closed border crossing. Reuter reports from Bukavu, Zaire.

Less than half an hour after French Legionnaires pulled out of the Ruzizi border post, hundreds of refugees fearing Tutsi reprisals swarmed onto the river bridge, determined to reach the Zairean shore and what they regard as safety.

Ethiopian United Nations peacekeepers stood by helplessly as the refugees ran across, only to be halted in their tracks by Zairean paratroopers firing into the air.

Retreating in confusion, the panicking refugees dropped shoes, hats and mats in the stampede back. There were two more attempts to storm the crossing, each time repelled by the Zaireans with a volley of shots.

Mr Kris Janowski of the UN High Commissioner for Refugees (UNHCR) told reporters the Zaireans had reopened Ruzizi-Two, a bridge 20 km south of the main crossing. He said the UNHCR was studying plans to bring trucks to the Zairean side of the border and transport refugees who walked to Ruzizi-Two to camps around Bukavu.

Up to 800,000 refugees were sheltering in the French zone from Rwanda's three-month civil war. At the main crossing, Ethiopian troops were subjected to a abuse and missiles as furious Hutus accused them of being allies of the victorious Tutsi-dominated Rwanda Patriotic Front.

From the Zairean hillside, a machinegun was trained on the 5,000 milling refugees while members of the 150-strong paratrooper force posted along the porous border kept watch.

"If this is the first indication of what will happen in the southwestern region with the withdrawal of the French, it doesn't bode well," said Ms Nina Winquist, spokeswoman for the International Committee for the Red Cross (ICRC).

At a brief military ceremony at Kamembe airport, outside Cyangugu, French Lt-Col Jacques Hogard, commander of the French Operation Turquoise in the Cyangugu area, passed on control of the zone to Ethiopian Col Tadele Gebreselassie.Then the French tricolour was lowered to be replaced by Ethiopian and United Nations flags.French forces had succeeded in keeping the RPF out of the zone and had protected Tutsi refugees from further massacres by Hutu troops and militia.

Taiwanese projects in China

By Laura Tyson in Taipei

Taiwan has approved proposals for 31 investment projects in China totalling $60m (£38.9m) and will further relax restrictions on investment by local companies in China, the Economics Ministry said at the weekend.

The moves signify a further step in the liberalisation of investment by listed Taiwanese companies across the Taiwan Strait, until recently subject to strict government controls. Small companies have been investing in China since the early 1980s, largely through indirect channels.

Taiwan has banned direct trade, investment and transport links with China since 1949, forcing the bulk of such activities to be routed through Hong Kong.

The recently approved investments by Taiwanese companies include a $6m container terminal project by Evergreen Marine, part of the Evergreen, one of the world's biggest container shipping lines. The project marks Evergreen's first foray into China following an announcement in May it planned investments amounting to $80m.

A total of 633 items will be moved from a prohibited list and to a permitted investment list for Taiwanese manufacturers, the Economics Ministry said. The newly approved list includes 196 textile items, 188 machinery items and eight steel-related items.

The combined export value of the 633 items was $22.6bn in 1993, accounting for 27 per cent of Taiwan's total exports, the ministry said. Imports of the items amounted to $6.14bn or 8 per cent of the total.

● A fourth typhoon in two months pounded Taiwan yesterday on leaving three people dead and two missing, Reuter adds from Taipei.

Typhoon Fred brought 180mm of rain across northern Taiwan overnight and early on Sunday, and as much as 480mm in mountain districts, days after torrential rains from Typhoon Doug caused floods in the southern city of Kaohsiung.

Most domestic flights and many trains were cancelled as the storm, with winds of up to 180kph, swept across the north of the island.

Obituary

Linus Pauling: leader in chemistry

By Clive Cookson, Science Editor

Linus Pauling, one of the great figures of 20th century chemistry, has died at the age of 93. He was the only person to win two solo Nobel prizes in different disciplines.

Pauling won the Nobel Chemistry Prize in 1954 for his work on chemical bonds. This gave scientists a theoretical framework for understanding the forces that hold atoms together – and a practical guide for predicting the structure and shape of new molecules. Pauling's research is the basis for the computer programs used today in the pharmaceutical industry to design new drugs.

His second Nobel award was the 1962 Peace Prize, in recognition of his tireless campaigning against nuclear weapons testing. His anti-bomb petition to the United Nations, signed by 11,000 scientists from across the world, helped persuade the US, UK and Soviet Union to sign the 1963 atmospheric test ban treaty.

Pauling: vitamin-C crusade

But Pauling is probably just as well known today for his scientific crusade over the past 25 years in favour of vitamin C. He believed that huge doses of vitamin C – two spoonfuls per day, or hundreds of times more than the officially recommended daily allowance – could help stave off illnesses from colds to cancer and prolong healthy life by more than 20 years.

Pauling himself was a good walking advertisement for mega-doses of vitamin C. He remained mentally and physically active into his 90s, writing a dozen research papers a year, and his gaunt figure, topped with blazing blue eyes and bright white hair, was a familiar sight at scientific meetings.

However, Pauling did not win the scientific and medical establishments over to his view of the virtues of vitamin C.

Although mainstream researchers have become more aware of the health benefits of vitamins since Pauling began campaigning, most regard his claims as grossly exaggerated. Indeed some privately pointed to Pauling as a warning to successful scientists not to become obsessed with cranky ideas in their old age.

Pauling was born, bred, lived and died on the US West Coast. He grew up in Oregon, the son of a small town pharmacist who used the slogan: "Pauling's Pink Pills for Pale People" and from whom he derived his love of chemistry.

After studying chemical engineering at Oregon State University, he moved to the California Institute of Technology for graduate studies in 1922, at the age of 21. Cal Tech was to be Pauling's base for the next 41 years, during which he developed his Nobel-prize winning theories of chemical bonds and structures.

Chemists will remember Pauling above all for his book, The Nature of the Chemical Bond, published in 1939 and without doubt the most influential chemistry book written this century.

He died on Friday night at his Californian ranch in Big Sur.

Key parties absent from Algeria talks

By Francis Ghilès in Paris

A national dialogue aimed at reducing the violence in Algeria is unlikely to resolve the situation because of the absence of three key protagonists.

The talks, sponsored by the president, were scheduled to start in Algiers yesterday. The Islamic Salvation Front (FIS), which was set to win the general election suspensed in 1992, has not been invited to attend. Two senior leaders of the lay opposition, Mr Hocine Ait Ahmed, who leads the Socialists Forces Front (FSS) and Mr Mouloud Hamrouche, a former prime minister and prominent member of the National Liberation Front (FLN) have argued that in the absence of FIS leaders and a radical overhaul of the existing political system, the talks were pointless.

The two junior Islamic parties, Hamas and Ennahda, will attend the talks as will the FLN which held power from 1962 to 1991. However, the absence of Mr Hamrouche who, when prime minister from September 1989 to June 1991, legalised the FIS robs the FLN presence of much of its meaning.

Meanwhile, in a letter addressed to the head of state, Gen Liamine Zeroual one month ago and made public yesterday; one of the two paramount FIS leaders has repeated his party's insistence that the military-backed regime must free FIS leaders. Mr Ali Benhadj, who has been held in the military prison of Blida since June 1991, said that the FIS and the Islamic Salvation Army (AIS), which owes allegiance to the FIS, should meet the government and debate publicly the country's future. He also says that "in supporting the dictatorial junta", western countries are committing "two crimes, against the Algerian people, and against their own nationals (living in Algeria) by putting them at risk".

Fuel famine cripples air transport in Nigeria

Paul Adams takes a much-delayed flight from Lagos to the political capital of Abuja

Getting a domestic flight was easier in Nigeria before the oil workers went on strike and the jet fuel ran out. Last week in Lagos, the rush was for a ticket to Abuja, the federal capital where jailed opposition leader Moshood Abiola was due to appear in court charged with treason for saying he won the election.

There are no trains unless you have a week to spare and it is a 10-hour drive to Abuja. The roads appear to have been shelled by heavy artillery but the pot-holes are there because the road is not maintained and the twisted, charred vehicles on the roadside are the result of bad driving.

The last scheduled flight on Okada airlines to Abuja was at 3 pm. There is no such thing as a check-in time at the terminal, a sprawling row of gloomy sheds, and often there is no such thing as checking-in. Touts swarm around passengers, and work with the men in airline uniform and, occasionally, security forces in plain clothes.

Nigerian police yesterday arrested the sacked leader of a striking oil workers union, the latest detention in a crackdown on opponents of the military government, Reuter reports from Lagos. Mr Frank Kokori, former general secretary of the Nupeng trade union, has been a powerful force behind the six-week strike aimed at forcing the military to hand over power to presidential claimant Chief Moshood Abiola, who is now on trial for treason.

A colleague, Mr Wariebi Agamene, the sacked president of the union, said Kokori was arrested in the early hours of the morning. Kokori and Agamene were dismissed by military ruler General Sani Abacha on Wednesday along with leaders of another oil union and the umbrella labour federation.

Nearly a dozen people were arrested nationwide in a swoop on Friday but many others were later released. Among those still detained are Anthony Enahoro, vice chairman of the National Democratic Coalition (Nadeco), a 71-year-old politician who was in the forefront of push for independence from Britain in the 1950s. Others are Mr Cornelius Adebayo, a former deputy state governor, a Nadeco leader and two aides of Chief Abiola – his spokesman Mr Fred Eno and Mr Ademola Adeniji-Adele. In an effort to break the strike, the government has asked retired oil workers to register at their local job centres with a view to being re-engaged.

"Okada – you have to pay more," they yelled at the passenger gate by the runway. The price had doubled from N1750 (£22) that morning to N3500. Okada's operations manager confirmed it. "Its because of the shortage of fuel," he said.

The extra money was about to be paid when it transpired there was no 3 o'clock flight any more. "It's because of fuel," they said again. Back came the extra money and the ticket (now useless) and one of the airline staff led a large posse of touts to get the one remaining flight to Abuja, which was from the other terminal.

The "last flight" was a Russian made Tupolov 134, with "Maina Air" written on its side. It was not an airline I had heard of. "It means chief in the Kanuri language," said another passenger. The Bulgarian crew looked reluctant. They had barely enough fuel to fly to Abuja and back. They were finally persuaded, perhaps by the Kanuri chief, to get in the cockpit.

I sat opposite a former government minister, going to Abuja for a constitutional conference, meant to decide the fate of Mr Abiola.

The crew informed us that they had decided to fly, very slowly, to Abuja via Kano, which is in the same direction but exactly twice as far, and there re-fuel, and fly back to Abuja. Everyone groaned, then went very quiet for a minute or two after take-off, which was a little shaky. For the first time in recent memory, someone said he wished he had gone Nigeria Airways. "You definitely feel that you are in a cabin," said the retired minister.

We headed towards the Atlantic coast, circled round the mass of creeks west of Lagos and climbed above the cloud. We reached the arid north, where the former minister pointed out his home town clearly visible beneath us.

When we landed at Kano, one of the stewardesses took out a bag full of money, taken from the flight's ticket sales, and went off in search of fuel. Inexplicably, there was none.

The passengers strolled around the deserted tarmac, spoke for hours on their cellular phones to Lagos and Abuja and discovered old friends and acquaintances were on the flight.

A well-known trade union leader, now relieved of his job, earnestly explained that tomorrow Chief Abiola would be released on a great day for democracy in Nigeria, then he strolled with his entourage to the Kano airport VIP lounge.

A pair of headlights appeared half a mile across the runway and headed slowly towards the aircraft. It was the fuel tanker and by 8 o'clock the aircraft was ready to go, arriving in Abuja five hours after we left Lagos. It is normally a 50-minute flight.

The next day, the judge in the high court case resigned because no one trusted him, Chief Abiola went back to his cell, and everyone else stayed put because there were no flights.

Nigeria Airways was the only flight out of Abuja and the captain actually apologised for a slight delay. On board were some more trade union leaders. Twelve hours later Gen Abacha announced that they had been relieved of their jobs. The airlines are still searching for jet fuel, Chief Abiola is somewhere in custody and Nigeria is still waiting for the dawn of democracy.

LME probe into Chilean futures

By David Pilling in Santiago

Codelco, Chile's state copper company, yesterday said the London Metal Exchange had agreed to investigate "unusual transactions" between Codelco and several brokers that contributed to losses of up to $270m (£174m) for the company on futures trading last year.

Codelco will this week send a formal report to the LME detailing operations in 1993 by Mr Juan Pablo Dávila, Codelco's chief futures trader, many of which had "no commercial explanation whatsoever".

Mr Juan Villarzú, Codelco president, said an Ernst & Young investigation showed "the existence of systematic deceit aimed at distorting the economic outcome of copper futures transactions, creating fictitious profits and postponing losses". However, he stressed that this did not necessarily imply that the brokers concerned had deliberately colluded with Mr Dávila.

The announcement of a possible LME probe follows a recent visit by Codelco officials to regulatory authorities in London and Washington when they presented initial findings of the Ernst & Young report.

"LME executives said they were fully prepared to begin the appropriate investigations after receipt of a written request by Codelco, which will be sent in the next few days," Mr Villarzú said.

Mr Villarzú said Ernst & Young had discovered operations between Codelco and London brokers that would have been illegal on the Comex exchange in New York. "This is not the case on the London exchange whose regulations in this respect are much less demanding" and based principally on "good faith and gentlemen's agreements".

Hawke's political memoirs hit a wave of criticism

By Nikki Tait in Sydney

The queue in the Miranda Shopping Centre in one of Sydney's southern suburbs was modest but persistent. For 90 minutes, it shuffled slowly forwards, never dropping below two dozen people. At its head sat Mr Bob Hawke, Australia's prime minster until late-1991, signing copies of memoirs with patience and flourish.

The recently published book has caused a storm in Australia, largely because of its highly personalised attacks on Mr Paul Keating, Mr Hawke's successor and the current prime minister. But for the most part, Saturday's shoppers were quietly supportive of their former leader. "I'm going to get him to sign it for my granddaughter – he was a good prime minister," remarked one woman.

Assistants from Angus & Robertson, the bookstore handling the promotion, said sales had been brisk.

Not everyone was enthused, though. One teenager, hanging over the railings, thought this was a curious way for a former prime minister to be spending his time. "Look at Malcolm Fraser, he's going round for CARE Australia," she said in reference to the former conservative prime minister's work for the aid agency whose profile has been raised by the Rwanda crisis. Another lady, flicking through the memoirs noticed the A$49.95 (£24) price and was blunter. "I wonder how much he gets out of it ?" she asked.

Dollars from sales appear forthcoming, but there has been a lack of critical acclaim. Most local commentators view the book as an effort at self-aggrandisement, with Mr Hawke anxious to ensure the credit for prising open the Australian economy in the 1980s is laid at his door.

In the process of claiming sole credit for the reforms of the 1980s, Mr Hawke – who held power for eight years and won an unprecedented three elections – has missed few opportunities to do down his successor, who served as Treasurer during much of the Hawke government. The bad blood between the two has been evident ever since Mr Hawke tried to duck out of the "Kirribilli agreement", under which he would step down in favour of Mr Keating after the 1990 election. It took a bruising fight within the Australian Labor party before Mr Hawke was forced to relinquish the reins.

By the end of last week, the former prime minister appeared weary of taking a barrage of criticism over the book, but was still talking tough. "I knew it would cause some unhappiness," he said, when asked if he had been surprised by the reaction. "But the facts have to be told."

Mr Keating has kept out of the fray. There was only one tart comment, as he unveiled a series of "Open Learning" programmes for TV. This he said was "not the only launch today, but I'll bet pounds to peanuts this one has a longer-term influence on Australia".

NEWS: UK

Disabled workers to vote on strike

By Richard Donkin, Labour Staff

Unions are to hold a strike ballot among disabled workers at Remploy, the clothing manufacturer at the centre of a political row over the British government's decision to remove its status as a priority supplier in a strict interpretation of a European Union directive.

The GMB general union, with the largest membership among a six-union consortium at the company, said that many members among the Remploy workforce were in a mood to take strike action over pay and conditions.

Feelings were running high, it said, because of the way Mr Michael Portillo, the employment minister, made it clear he would be complying with the directive without seeking to challenge it.

Union leaders are angry at the way that the company's offer to increase basic pay by 2.5 per cent has been linked to proposed changes in working conditions.

The GMB says that the proposals covering shift work and working hours will effectively disbar the most severely disabled from working at the company.

At present disabled workers are considered suitable for Remploy work if they are able to work for 28 minutes in every hour but the company wants to change this to 40 minutes an hour. The move would affect pay because bonuses are based on these times.

Remploy has made the offer conditional on acceptance of a scheme designed to cut down on absence levels. The company also wants to introduce shift patterns outside the normal office hours which, the unions claim, will increase the difficulties of getting to work for some disabled people.

The conditions have re-enforced union suspicions that the government is seeking a more competitive climate at the company. Mr Portillo fended off earlier accusations that his department's decision to drop the special status for disabled workers in winning government contracts was motivated by a desire to subject such suppliers to greater market pressure.

Mr Phil Davies, GMB national officer for Remploy workers, said: "This government has decided to mount an all out attack on disabled people. The unions are fully prepared to defend these workers – our case is strong and just."

He said: "The strings attached to the offer will cause tremendous hardship for these workers. Flexible working and the changes to the work timetable could mean a 12-hour day for a disabled person with no overtime pay."

Remploy said that some proposals including those on job grades, the bonus scheme and flexible working were topics put forward for discussion. It was only seeking a commitment from the union to discuss these issues. Union officials said, however, that it was made clear to them that company would be seeking changes within the life of the agreement.

The pay offer, said Remploy, was in line with public sector guidelines.

Body Shop in defence of its business ethics

By Alan Cane

Body Shop International, the cosmetics group whose watchword is environmental soundness, yesterday defended itself against reports over the weekend which raised questions about its green credibility and business ethics.

An article in the Financial Times last Friday which reported that Franklin Research Development, a US ethical investment fund, had advised its clients to sell Body Shop shares "did not fairly represent the position", according to Ms Angela Bawtrie, in charge of investor relations.

Mr Gordon Roddick, Body Shop chairman, was not available for comment yesterday but is believed to be writing to the FT to set out his interpretation of the situation.

Reports in other newspapers that Body Shop paid two US businesswomen $3.5m in 1987 for the Body Shop name and that a US journal Business Ethics will shortly publish an article critical of the company's Trade Not Aid policy – buying supplies from indigenous people in developing countries – were not denied but shrugged off as "old news".

Franklin, which manages about £350m in funds on behalf of 300 clients interested in ethical investment, changed its recommendation for Body Shop shares on July 15. It is understood it had been concerned about increasing competition in the company's core markets coupled with worries about forthcoming press reports which are expected to be critical of Body Shop's activities, especially the Trade Not Aid campaign. Over the past few weeks it has sold about 50,000 Body Shop shares.

Body Shop does not dispute that Franklin changed its recommendation, but argues that its relationship with the fund is sound and that Body Shop is working with Franklin on a new company analysis to be published shortly.

Criticisms of Body Shop centre on whether the ingredients used in its products are truly natural and whether the Trade Not Aid policy exploits the people it is designed to help. The company agrees that the proportion of its total product range supplied through Trade Not Aid is small but that the trading and social relationships built up cannot be accounted for in financial terms. Body Shop shares slipped 4p to 238p on Friday.

At the BOC gas cylinder-filling site in Leeds, quality controllers carry out checks on the 1,700 gas cylinders needed to inflate the 1.5m helium balloons that Disney Home Video is planning to launch next week to mark the release of the home video version of the movie 'Aladdin' Picture: Stewart Goldstein

Warning on Sizewell plant

By Michael Smith

British Coal warns today that a planned nuclear power station on the Suffolk coast would displace up to 9m tonnes of coal a year and expresses strong doubts about the nuclear industry's ability to deliver electricity at the costs it promises. Nine million tonnes represents a significant proportion of the coal industry likely to survive into the first few years of the next century, the earliest the new station, Sizewell C, could come on stream.

Some coal industry analysts believe that total output of the coal industry by 2000 is likely to be below 40m tonnes. British Coal's warning, in a submission to the government's nuclear review, represents a strong rebuff to Nuclear Electric and Scottish Nuclear, the two main nuclear generators.

They have argued that the coal and nuclear industries are a good environmental fit and that gas-fired generation is the cause of coal's contraction. Nuclear Electric has already applied for planning permission to build Sizewell C, although the company's ability to build it will depend on the nuclear review.

Nuclear Electric argues that Sizewell C's electricity will displace power from Magnox nuclear stations, due to be retired over the next decade, rather than that from coal.

British Coal says in its 24-page submission that past decisions to invest in nuclear power have been based on optimistic forecasts "which were subsequently seen to have been misplaced."

Britain in brief

Speculation grows over IRA ceasefire

Irish prime minister Albert Reynolds last night called on the IRA and Sinn Féin to show "leadership and courage" in order to halt terrorism as speculation grew in Ulster of an imminent open-ended IRA ceasefire.

He insisted: "Patience will bring peace."

Mr Reynolds said the Dublin government's position remained that "all parties should put behind them the use of violence as an instrument to progress political objectives".

He also rejected suggestions of any divisions between himself and Deputy Premier and Foreign Minister Dick Spring about the timescale for permitting Sinn Féin – the IRA's political spokesmen – into any negotiations about the future of Northern Ireland.

At the weekend Mr Spring indicated that he may lead his Labour party out of Mr Reynolds's coalition government if Sinn Féin were allowed to join talks ahead of a total cessation of violence.

An announcement concerning a ceasefire – a major gamble by the IRA aimed at influencing the British and Irish governments – could follow talks in Belfast later this week between Mr Adams and a group of influential Irish-Americans who helped him obtain a visa for the US earlier this year.

BAA interest in Gatwick station

BAA, the UK airports operator, is interesting in buying Gatwick airport railway station from Railtrack, the government-owned train authority. The company wants to improve access and facilities at the station, which lies parallel to BAA's Gatwick airport, and may spend up to £3m on the site.

Railtrack is unlikely to sell the station outright, but might agree to BAA investment to improve Gatwick's facilities.

Despite BAA's interest in Gatwick, it is not considering expanding into railway station management elsewhere in the network. Nor does it wish to bid for the Gatwick Express train operations franchise, which is expected to be one of the first train services to be privatised in 1995.

BAA is also the majority partner with Railtrack in the fast train link from Paddington station to Heathrow, London's largest airport.

The £300m construction project is expected to be completed by 1997.

Women show job success

Women prove more successful than men when they are competing for senior management positions, according to statistics released by a UK recruitment consultancy.

The survey which focussed on 85 posts in the £30,000 to £75,000 salary range handled by the London office of NB selection, found that from the shortlisted candidates one in four women compared to one in six men secured management positions.

This company also examined a sample 31 assignments covering 3,000 applicants and found that, proportionately, women again faired better. Some 22 per cent of women applicants secured interviews compared with 10 per cent of male applicants.

Ms Elisabeth Marx, head of NB Selection's psychological assessment practice said that while significantly fewer women applied for jobs in comparison with men "It is obvious that the women who apply are of higher calibre."

More firms using bonuses

Increasing use of bonus schemes is paving the way for an end to the annual pay rise, a report suggests today.

The report by the Confederation of British Industry and Wyatt, the human resource and actuarial consultancy, says that employers are broadening their use of incentive and profit related pay schemes.

The adoption of such variable pay systems, partly reflects a desire by employers to use them as a lever to break away from or to reduce the annual rise in basic pay to which many remain committed.

The survey, which analysed 300 schemes in 100 companies, defined variable pay, widely adopted in the US, as the "at risk" part of a wage packet, covering individual bonuses, team incentives, gain-sharing, share schemes, profit-sharing and spot awards – one-off payments made to reward a job well done.

The most generous types of variable pay, it said, were restricted share schemes and key-contributor schemes, usually confined to senior management, which can sometimes be worth up to 100 per cent of basic salary.

Boots faces gas mask writs

Boots, the UK chemist chain, will receive within the next month High Court writs from up to 20 women claiming compensation for injuries allegedly caused by working with asbestos in a Nottingham factory making gas masks during the second world war.

The cases follow an out-of-court settlement in the US last week which could lead to the compensation of 100,000 Americans who contracted diseases after being exposed to asbestos. The settlement, costing $1.3bn (£830m) involves 20 asbestos companies, including T&N, which was the major supplier in the UK.

Economists in short supply

Economists have found a fresh cause for concern about the health of the UK economy – a reduction in the supply of economists.

British schools are apparently producing instead a generation of would-be entrepreneurs who see business studies as a route to fulfilment.

Mr Paul Walton, economist with James Capel, the UK securities house, points out today that the number of candidates for economics A-level hit a 20-year low this year. The 30,885 was a drop since last year of 15.2 per cent. It peaked at 43,500 in 1983.

Ian Rodger asks whether Logitech can remain Swiss and independent in a fiercely competitive industry

Almost caught in the mouse trap

If there is one certainty for companies in the fast-changing personal computer industry, it is that no strategy will be successful for long.

Logitech, which leads Microsoft by a short head as the world number one in mice for computers, with more than a third of the market, has in its short 13-year life changed course radically four times. It expects further shocks as a matter of course.

"We always think we have done enough, but we never have," says Daniel Borel, the group's co-founder, chairman and chief executive.

In the process of perpetual adjustment, the Swiss-based group has moved more and more of its activities to the US and East Asia, and thus become less and less Swiss. Its experience again revives the perennial question of whether any Europe-based group can stay the course in the rough and tumble of this global industry.

Logitech was given its start in 1981 when two Italian electronic engineers, Giacomo Marini and Pierluigi Zappacosta, came together with Borel, a Swiss engineer. The three had met at Stanford University in the mid 1970s.

Their initial view was that the mouse would be attractive only to specialised computer users, such as engineers, and would be sold directly to them. Volumes would be relatively small, so it would not make sense to manufacture it themselves. However, after winning a contract to develop a mouse for Hewlett-Packard, the US computer and electronics multinational, they changed their minds.

They bet correctly that HP and other computer makers would become the big buyers of mice, including them in their computer kits alongside the keyboard. They also realised that these original equipment makers (OEMs) would only buy from a supplier which made its own mice, and preferably from one that was close at hand, so that quality could be checked and deliveries secured.

Thus began the exodus from Switzerland. Logitech set up manufacturing in California in 1984 and within a year had 10 large OEM contracts and annual output of 300,000 units. Two years later, it began production in Taiwan for Asian OEMs (including the Asian plants of US suppliers, such as Apple) and in 1988 started a factory in Ireland aimed at European PC makers. By 1990, production in Switzerland had been halted.

But margins on OEM business were thin, and the group soon saw that it also had to break into the fast-growing US retail market under its own brand if it was to generate adequate profits. It could not afford to set up its own distribution network, so it sold directly through the increasingly effective channel of PC magazine advertising.

This helped Logitech build its sales to SFr124m (£60m) in 1988, and to become something of a mini-multinational, complete with a listing of its shares on the Swiss stock exchanges. Borel remained at group headquarters in Lausanne with responsibility for finance and product development, while Marini and Zappacosta directed worldwide marketing and software development from Silicon Valley in California.

By then, the group's biggest concern was that the mouse was becoming a mature product, with little potential for further technical development. That meant it would become a commodity sold on very thin margins against increasingly stiff competition from low-cost, East Asian producers.

In common with many other companies in this situation, Logitech began looking for opportunities to diversify, although with no illusions about the dangers. "It is easy to make sub-products, but very difficult to find a second mouse," Borel says.

It rapidly evolved a diversification strategy. Although the company intended to keep close to areas it understood, the strategy has taken it into demanding new markets some of which have required extra skills.

Logitech's mission, the directors decided, was to humanise the PC, to provide it with senses – not only the touch supplied by the mouse, but also, gradually, sight and hearing. A family of products called "Senseware" would be developed.

In 1988, the group acquired the licence to a hand-held scanner and has since developed a full line. More recently, digital still cameras have been developed. So have "soundcards" (circuit boards); these are expected to become popular as the market for sophisticated home entertainment computer systems grows.

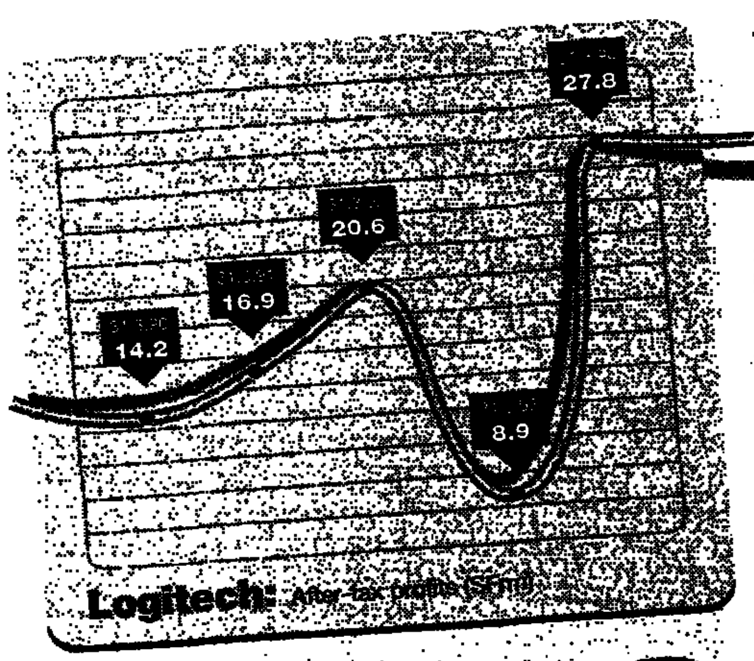
Sales and profits maintained brisk double-digit growth up until 1991, suggesting the group was on the right track. However, a potentially fatal flaw emerged in its structure.

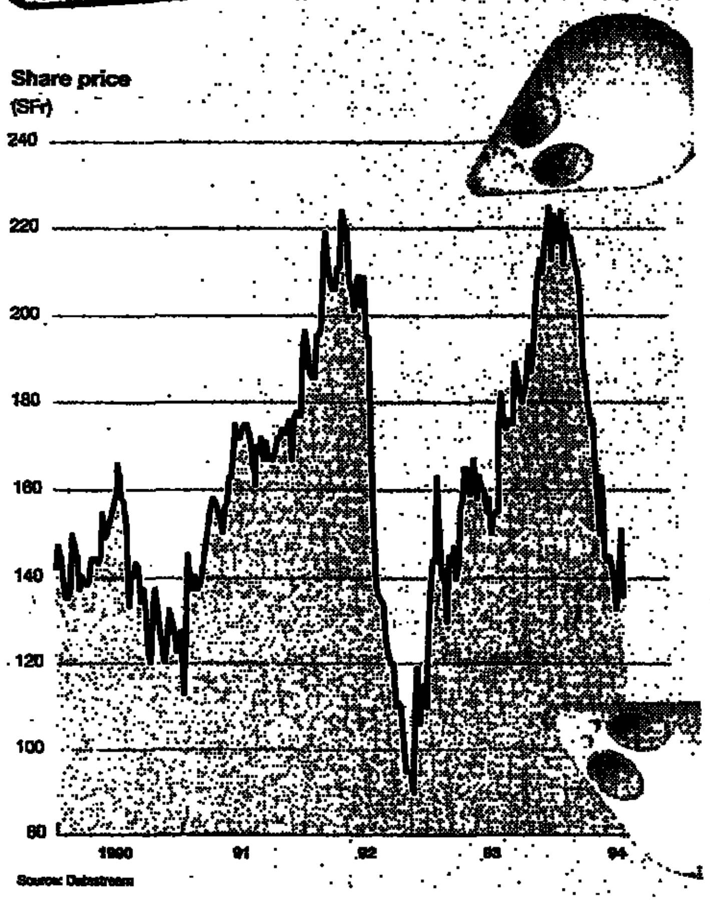
The three main production centres outside Switzerland were building up their staff to become largely autonomous, each with product development, manufacturing and marketing activities. Initially, this process was endorsed by the directors because it gave the group a strong local image in each region, both with customers and with potential key employees.

But the disadvantages of such a loose federalism – costly duplication of effort, diffused market intelligence and unco-ordinated R&D spending – soon came back to haunt Logitech.

In 1992, a vicious PC price war broke out. Coincidentally, demand for Windows software, which requires the user to have a mouse, boomed. On the one hand, Logitech was faced with a dramatic increase in demand for its products, but on the other it was forced to slash its prices.

"It was fine to charge $120 (£77) for a mouse when the customer was paying $5,000 for his PC. But when PC prices went much lower, people expected to pay less for a mouse too," says Rory Dooley, business unit director for pointing devices. Today, mice retail for around $20 in the US.





Revenues in the six months to October 1992 sailed ahead a brisk 25 per cent, but cashflow slipped to a negligible SFr0.3m and the group suffered its first loss of SFr5.1m. With a reported equity base of only SFr90.2m and net debts of SFr111.6m a few months earlier, Logitech could not afford to sustain losses of this size for long.

The immediate solution was obvious if painful. Production costs had to be lowered sharply again. With the factories in Taiwan and Ireland running well and a new China venture in the works, the high-cost California factory could be shut down.

Marini, who was responsible for US operations, resigned in protest, but profitability was restored in the following six months and has been sustained ever since – though not without hiccups.

This latest radical shake-up also meant jettisoning the assumption that production had to be located near the headquarters of the main PC manufacturers.

Since the 1992 crisis, Borel has moved to Silicon Valley to control operations and keep a close eye on the all-important US market. Only the finance function and some high-end product engineering remain in Switzerland. The home country remains valuable as a source of top-quality engineers and as a test market because of the company's standing as the only significant Swiss player in the world computer industry. But of Logitech's 2,400 payroll, only 100 work in Switzerland.

In an admission which speaks volumes for the pressures under which the company is working, Otto Kunkel, vice-president, finance, says an ambitious research programme has also been reined in because "we cannot afford to look ahead 10 years, we are too small".

Profits recovered quickly, and the group managed to close the year to March 31 1993 with net income of SFr8.9m, down 57 per cent on the previous year. In its latest year to March 1994, net income more than tripled to SFr27.8m on sales up a handsome 17 per cent to SFr484.2m. But Logitech's recovery had soured in the first quarter of this year (the group's fourth fiscal quarter) when a fresh round of PC price cutting and a shift in sales patterns caught the directors by surprise and profits slumped.

In an unusually blunt statement in May, the company explained why sales in its fourth quarter dropped 6.6 per cent and profits were below expectations. "The introduction of new products at the end of the third quarter did not stir up customer demand as anticipated, while sales of the more traditional lines were slow."

Sales of PCs continued to grow at about 15 per cent in volume but zero in value, according to Kunkel. "How do we cope," he asks. Answer – yet another round of cost cutting.

While finely priced OEM deals remain the backbone of the business, new models of mice have been designed to try to breathe new life into the flagging retail market – some cordless, some shaped for left-handers, some for use with portable computers.

The main new product that did not stir up customer demand as expected in late 1993 was a low end sound attachment called Audioman. PC users have already moved on to high-quality soundcards, a market which is dominated by Creative Labouratories of the US. Logitech has just introduced a soundcard called SoundMan.

With camera sales still tiny, the group's diversification strategy has certainly progressed slowly. Mice and other pointing devices still account for nearly 80 per cent of revenues.

Only in scanners did it get off to a good start. They now account for close to a fifth of its sales and it claims a leading 45 per cent world share of hand-held models. But as one company official points out, a scanner remains a luxury option for most PC users.

Another problem – not mentioned in the fourth-quarter statement – has been a significant shift in US PC marketing patterns which Logitech was slow to spot. More and more PCs are being sold in department and chain stores rather than in specialist shops, forcing the group to refocus its marketing efforts there.

Is it all worth it? Borel looks weary and admits that, as a founder, he has found it "emotionally draining" to deal with the many personnel problems arising from the past few years' upheavals. "You realise that we grew initially on heart and soul. Now we bring in the professionals. They are cold and financial, and the two clans hate each other."

But he is still convinced the group is on the right track and is excited about the much heralded potential of the home computing market. "We are dedicated to our original vision to humanise computing," he says.

"We believe that Senseware's future markets will mature, evolve and flourish in parallel with computing technology itself because successful technology must be 'human-centric' no matter what its application," he said in his latest annual statement.

Apart from the sheer competitiveness of all Logitech's markets, he says the main problem is deciding when the time is right to push into new areas. "It is so easy to expand in markets that are not yet ready."

Is Logitech determined to remain Swiss, European and independent? This is not an issue at the moment, but Borel does not rule out joining another group at some point. "We are living through an important stage in the history of this industry. The important thing is to be part of the game."

DESERT ISLAND MANAGER

Tim Hely Hutchinson

Tim Hely Hutchinson, 42, is chief executive of Hodder Headline, Britain's fifth-largest publishing group. His company's diverse backlist includes the Bible and Le Carré as well as the Hello! Cookbook.

[illegible]

You can have a vehicle to get around the island.
[illegible]

If you could take one person with you, who would it be?
[illegible] Capability Brown. [illegible]

Confined to an island, what would you miss most?
Friends and family, obviously. [illegible]

What would you miss least?
Boring meetings. Most people in business spend far too much time in meetings. [illegible] It is very rare that I feel that a meeting is truly productive.

You can teach a parrot one sentence or motto.
[illegible] So I'd probably teach it to shut up.

You can take one film.
Just one? Very mean. The complete set of Le Carré's George Smiley television series.

And one book.
Again, I'm going to be greedy and take the complete works of Flaubert. He spent an average of seven years writing each book, so they bear endless re-reading.

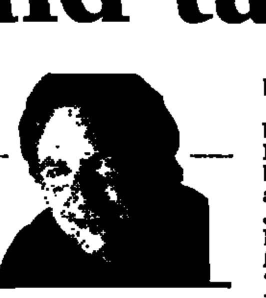
What would you eat and drink?
I hope Capability Brown will catch the fish. I like avocados and I assume that there are groves of exotic fruits on the island. Oh, and a lobster pot.

One condition can be imposed on the island.
A perfect marble bathroom, full of fresh water, washed up on it after a storm. That would mean I wouldn't have to turn into the Wild Man of Borneo. It would be nice also if the island could have a race course, but I suppose that's asking too much.

If marooned on the island for the rest of your life, how would you like to be remembered?
I'd like my epitaph to read: "Departure from plan". I am known to family and friends as "the planning department", to the point sometimes where spontaneity is lost. I would have taken belt and braces precautions to prevent myself being washed up on a desert island. So people would be interested in the comedy of errors which led up to it.

Martin Mulligan

Hold your breath and take a break



TOM PETERS

You've heard about the one-minute manager. How about the 30-second vacation?

I'm not kidding. Though no student of Zen Buddhism (my wife, Kate, is), I do engage in the Zennish practice of "following my breathing". It might well be classified a near-miracle.

Bugged by the direction of a contentious conversation? Trapped in a cab by slow-moving London traffic and already late for a meeting? Follow your breathing, for 30 seconds, a moment, or 10 or 20 minutes. By which I mean tuning into the basic process of breathing; you don't need to intone some esoteric mantra, just slowly, "breathing in, two, three, four, breathing out, two, three, four".

I know there's more to it and I practise a number of variations. But, in short, it calls a complete halt to whatever silly, overwrought tension is building inside me. Doing it on the highway when I'm behind, say, three or four crawling vehicles, my speed automatically drops by 10 or 20 miles per hour – and my disposition returns to equilibrium, at times approaching passivity (no mean feat, for a classic Type A, argumentative personality, age 51).

Though I've never read a single book on meditation, or taken a formal lesson, I was prepared by my relative passion for a special form of exercise – speedwalking. (Or aerobic walking, powerwalking – all quiet kin of racewalking; my variety is 11 to 12 minutes per mile.) It started in a hotel room in Houston, Texas. Going over a telephone-message list from my office in California, I noted a call from a participant in one of our five-day seminars. "You're a walking heart attack in the making," the health-care executive had said. "Come to one of our facilities: take a stress test, on me." (I pictured all sorts of doodads glued to my body, while I raced along a treadmill – with a physician clucking as he watched my ticker pound out of control.) I still haven't taken the complimentary test, but the next morning – February 11 1989 – I went out for a self-styled 10-minute "exercise walk". I flailed away awkwardly. But I haven't stopped since.

Though no racewalker (solo is my gig – no exceptions), I've become obsessed. As of this writing, I haven't missed a day in the last 20 months.

If the hardish evidence is valid, it's doing good things for my ageing body, perhaps delaying the inevitable a tiny bit.

But that's the least of it. It's become a meditation, and a centrepiece to my day.

On my farm in Vermont, I usually walk about five miles after I've finished my day's writing; it's a time to unwind, reflect and, sometimes, work on a problem. (I admit I carry a stubby pencil and little blank cards in my pocket – I never break my pace, but I do sometimes record things when I finish.) On the road – in the parking lot outside my Frankfurt-airport hotel, amid the grimy 5am smog of Bangkok – I launch the day with a one- to three-mile chug.

As you can doubtless tell from this description, I've become a true believer; which amuses me and my close friends – though a second-rate jock in college (lacrosse), I was vociferously anti-exercise until I became a fanatical advocate.

Thence the walking led to the breathing. Maybe one of these days I'll emulate Chicago Bulls basketball coach Phil Jackson and become a full-fledged Zen Buddhist. (Yes, Jackson does say that he tried out his Buddhist approach, successfully, on his eminence, Michael "Air" Jordan). Truth is, relaxing has never come hard for me. I go when I go. I stop when I stop. In fact, and I realise this is unadulterated bias, I hold in contempt my Type A friends whose weekend frenzy matches their workday pace.

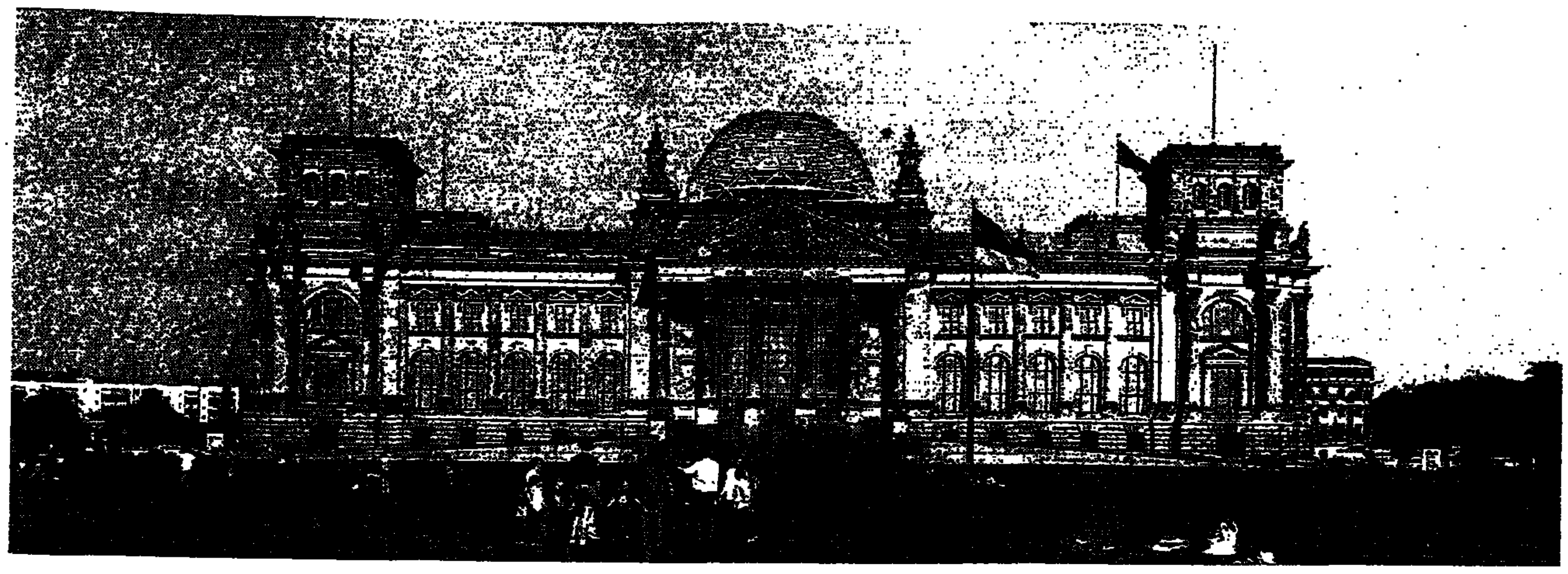
But I do "work" on the weekends. That is, I read insatiably, mostly fiction. My purely professional reading, also a passion, rarely includes management books (b-o-r-i-n-g), and tends strongly toward history. Business schools (on both sides of the Atlantic) ignore economic history to their great discredit. James Grant's *Money of the Mind: Borrowing and Lending in America from the Civil War to Michael Milken*, for example, taught me more about finance than several courses at the highly esteemed Stanford Graduate School of Business. My inability to slug it out on a TV show with US Labour Secretary Bob Reich on industrial policy led to a thrilling four-week summer adventure – reading up on the early days of the industrial revolution in America. If I had to do it all over again, I'd take my degree(s) in economic history or the history of technology.

In fact, my reading "programmes" have become the mainstay of my official summer vacations. About 10 years ago, Kate and I got into the habit of renting a house somewhere (the Dordogne, western Ireland) for three or four weeks. And I got into the habit of getting slightly organised about my reading on these mini-sabbaticals. It's been a pure, unadulterated joy.

Whether my breaks last 30 seconds or 30 days, it's clear to me that they are of the utmost importance. This is the wrong age to go stale.

Lucy Kellaway is away.

PEOPLE



At the democratic heart of the new Germany

Sir Norman Foster, the British architect picked to redesign Berlin's Reichstag, tells **Judy Dempsey** he has a sense of wonder about the city

Berliners have an opinion on everything. They also like to complain. Ask them what they think about the Reichstag becoming the new seat of the German government when parliamentarians eventually move to Berlin in the late 1990s and they will opine about the cost, estimated at around DM15bn. Then they will question how democratically elected deputies dare reconvene at a place indelibly associated with some of the darkest periods of Germany's past.

In spite of the controversy, Sir Norman Foster, the British architect who won the competition to redesign the building, still retains a sense of humour as well as a sense of wonder about the city.

"If you look at what has happened in Berlin since unification [in 1990], it is miraculous. It is faster and more precipitous than anyone's wildest dreams. It's a bit like watching Nigel Mansell with his foot on the floor going around the Grand Prix circuit and asking why can't he go faster."

It is not difficult to see what Sir Norman means. Berlin resembles a giant building site; new buildings emerge from the rubble, and new rail, underground and bus networks link the former divided city. Public attention is focused on the Reichstag and, in designing the building, Sir Norman is designing the democratic heart of the new Germany.

The Mancunian architect has an impressive track record for taking on the task; he was the designer of the Hongkong and Shanghai Bank building in Hong Kong, the acclaimed Stansted airport in Britain, and the Commerzbank headquarters in Frankfurt. Yet he never thought a British architect would be awarded the job of redesigning the German parliament.

Sir Norman, sitting in a bright, vast office with high ceilings a hundred yards from the Reichstag, said he believed it was "inconceivable that someone could seriously consider giving the responsibility for a new German parliament to British architects. It seemed such a long shot."

But with a bit of persuading from his wife, he visited Berlin to reconsider. He listened to parliamentarians and planners. He found out what was important to them. "My doubts were shaken. I was soon fired with enthusiasm. It must be one of the most important projects in the world today. And I think we were inspired by that."

Sir Norman set to work with his team of 81 architects and a budget of DM600m. The central philosophical thread running through the project over the past two years – and two completely different designs – was the need to make the Reichstag accessible and democratic.

Yet the primary influence upon his design was the symbolism and historical significance of the Reichstag.

"The history of the Reichstag has so many interpretations. It was about the birth of Nazism but in many ways it was also about the death of it. It contains so many layers of history. It has also been the scene of extraordinary celebration and optimism."

The democratic defenders of the Reichstag, which was designed in Italian Renaissance style by Paul Wallot and completed after a decade's building in 1894, rarely had a chance to use it as a forum for free debate.

Bismarck, who never crossed the threshold, loathed it, preferring the deputies to continue meeting in the old state porcelain factory. Hermann Göring and Josef Goebbels arranged to have it burned in 1933. The Allies bombed it in late 1943. The interior of the burnt-out shell was finally restored in east German communist style between 1969 and 1971. Bequeathed to Sir Norman was an abestos-infested edifice whose internal structure bears no resemblance to the original designs.

Despite this troubled history, Sir Norman says his proposals for the Reichstag owe a great deal to the original generosity of the space.

He will rebuild the facades around the courtyard, introduce natural light through an elegant light house capped by a dome, and modernise Wallot's natural ventilation system.

"What we are doing involves a very delicate intervention with the past. It is about bringing back the qualities of the old earlier spaces and in the process creating some dynamic new ones. It is very much about dealing with the historic fabric, rediscovering the building, the quality of the materials, and the craftsmanship. In that sense, we are traditionalists."

Yet the emphasis on accountability and openness that united Germany's new parliament must have is never far from his mind. "The whole scheme begins by placing everyone on the single democratic level – the historic first floor [the original location of the debating chamber] where government is seen to be open and accessible," he explains.

Sir Norman wants the building to be accessible to the public in another way as well. The public should have the benefit "of one of the best viewing platforms in Berlin. When you get on the roof of the Reichstag you have a breathtaking view of the city. It is an incredible vista. And aside from just the sensual satisfaction of surveying the scenery, symbolically to be able to wander freely and have a meal up there, to ascend a viewing platform which is metaphorically and physically above the debating chamber, above the politicians, is indeed powerful stuff. And to mix freely with politicans and to enter the front door, through the grand staircase is to rediscover the historical roots of the building."

Yet Sir Norman admits that an "equal amount of energy has gone into security. You cannot get into the same lift as the politicians when moving to different levels of the building. No chance! But the security is not advertised by iron bars and spikes. It is very discreet."

The debate about when, and at what cost, the government will finally move to the German capital has been far from discreet. Sir Norman and his staff seem non-plussed by the debate. Doubtless, Berliners would complain if the timetable were to be postponed. But they might also even grow to like and respect the Reichstag.

NAMES IN THE NEWS

John Palmer: weighing up competition and protection

No one will have more questions to answer about the collapse of Canada's Confederation Life than John Palmer, writes Bernard Simon. Although he has been nowhere near the insurance industry in recent years, Palmer was named Ottawa's superintendent of financial institutions less than 24 hours after the regulator seized control of the beleaguered insurance group on August 11.

Palmer, aged 50, is currently senior partner in the Toronto office of auditors KPMG Peat Marwick Thorne. He has overseen audits at some of Canada's big banks and trust companies, but his main job over the past year has been to reorganise the firm's public-sector practice.

One former Peat Marwick colleague describes him as "very energetic, and very concerned to do the right thing. He's a little bit on the introverted side, but not badly so". Despite his limited experience in financial services, Palmer ascribes his appointment to his management experience, a "good working knowledge" of the financial industry and a "good reputation" in the financial community. His predecessor was also plucked from the auditing profession.

One of the main issues in the Confed debacle is whether the superintendent's office acted firmly or early enough to prevent Canada's fourth-biggest insurer from sinking under the weight of sour property loans.

Palmer describes regulatory intervention as an elusive question: "How do you intervene early enough to protect policy-holders and depositors, but still maintain a competitive industry?" he asks.

Confed's failure comes on the heels of the virtual annihilation of Canada's trust industry, which was also dragged down largely by ill-advised forays into risky commercial property. These events are bound to increase pressure for tighter supervision of financial institutions.

Palmer indicates however, that he will take "a balanced approach". Over-regulation, he says, could starve financial institutions of outside capital. "I'm not panicking about the insurance industry. Everything I've seen suggests that the Confederation situation was quite isolated."

Such caution suggests that the new superintendent will avoid radical changes. "I have some prejudices, but they're largely based on anecdotal evidence," Palmer says. His first job, he insists, will be to expand his knowledge of the industry by talking to the main players.

Cargill looks outside family

Ernest Micek, the new president of Cargill, is neither family nor a trader, two deficits that in another time might have kept him from being next in line for the chairman's office, writes Laurie Morse.

Cargill, the secretive commodity merchandiser whose tentacles reach into remote corners of the globe, was built on the canny skills of its traders, who long have been the masters of the company's universe.

However, with flat global trade in bulk commodities, Micek's appointment is viewed as a shift toward the company's higher-margin commodities processing arm and its future in food marketing. Micek, 58, has spent his 35-year career building Cargill's food processing operations, including its highly profitable corn-milling division, which makes sweetners for soft drinks and is expanding into the ethanol business.

Last year, the company had profits of \$348m on \$47bn in sales. Micek's appointment as president puts him in a logical position to succeed Whitney MacMillan, the 64-year-old great-grandson of one of the company's founders who has served as chairman for 17 years.

MacMillan plans to retire next year, and with few family members waiting in the top executive ranks, a lifetime Cargill executive with upper mid-West roots may prove to be the best substitute.

Another contender is David Raisbeck, the 44-year-old head of Cargill's trading sector, who was given a seat on the board when Micek was made president this month.

Cheng returns to family

Edward Cheng, executive director of Wharf Holdings, the Hong Kong conglomerate controlled by the late Sir Y.K. Pao, is to quit after seven years with the company to take up a position in his family business, writes Louise Lucas.

Cheng, who led the conglomerate's efforts to secure a publicly-declared long-term debt-rating back in March – making Wharf the first Hong Kong conglomerate to attain such a rating – was responsible for group finance and corporate affairs, as well as the group's hotels business.

His finance duties will be picked up by Quinn Law, a non-executive director of parent Wheelock who is currently in charge of corporate control and treasury operations at Wharf.

MEDIA FUTURES

Electronic poser for copyright laws

Internet devotees will get a gleam in their eye as they extol the joys of "surfing the net" – the practice of wandering through the millions of data bases, files and message groups proliferating on this self-regulating global web of computer networks and electronic mail systems.

Travellers in this virtual world will tell you that almost anything is available on the Internet. Sitting at their desks hacking away at their keyboards, they can access recipes, copies of national legislation or, if they're lucky, soul mates.

Lately, some Internet users have been able to find copies of word-processing programs or computer games. Some software is put on the system as "freeware", information that is in the public domain.

However, copies of commercial software are also available, without their high street price tags. For less than the cost of an international phone call, users are able to log on and download programs from the Internet on to their own computers.

Software authors, the companies that sell the programs and governments view the growing practice of exchanging copyrighted software via the Internet as computer piracy.

In a case now before the courts in the US, the US Attorney's office in Boston, Massachusetts has indicted David LaMacchia, a student at the Massachusetts Institute of Technology, for conspiring to make an estimated \$1m in copyrighted business and entertainment computer software available on the Internet.

Between November 1993 and January 1994, LaMacchia, who is charged with criminal wire fraud, is said to have operated a bulletin board service out of MIT computer work stations. He is alleged to have invited users around the world to post commercial software on to the bulletin board for exchange with other users.

The case, which is up for further pleadings at the end of this month, exposes the difficulty of prosecuting crimes under copyright infringement and fraud laws which were not set up to deal with developments in electronic communication.

LaMacchia is protesting his innocence on the grounds that he did not personally copy any software on to the Internet bulletin board but merely operated the system in which others made copies.

"He is no more liable for what people do on the system than somebody who runs a telephone network is liable for what people say on the telephone," said Harvey Silverglate, a Boston attorney representing LaMacchia.

Catching those who actually copied software from LaMacchia's bulletin board could be almost impossible. "You may not know who the people who are copying the material are, or where they are from," said Mark Sherwood-Edwards, a solicitor at Simon Olswang in London. "It would be difficult to say where the copyright infringement took place. Right now the laws are jurisdictional but the Internet is global."

LaMacchia's lawyers believe the case should be dismissed because to try him would entail "stretching and mangling" US law. They claim LaMacchia's alleged activities on the Internet are not covered by the criminal statutes for copyright infringement or wire fraud.

Harvard Law School professor Laurence Tribe, a specialist in US constitutional law and the legal ramifications of technology, said inadequacy of current laws to deal with copyright infringement on the Internet did not "in principle create rights to free software".

On the other hand, he said LaMacchia's case was being manipulated to fit existing statutes. "It seems like they are trying to fit a square into a round hole," he said. "I think the situation calls for action at the legislative level, rather than on a case by case trial."

Software companies, however, believe they can cut down on Internet piracy by going after individual cases. "Last week we took down an Internet bulletin board where our software was being copied," said Harrison Colter, a lawyer for Novell, a software manufacturer which recently merged with Wordperfect.

The companies know that such policing will not get rid of software piracy altogether. "No one is naive enough to believe that copyright infringement can be eradicated from the Internet," said Ed Morin, head of Novell's anti-piracy team. "But we will aggressively go after pirates, and if they think they can get away with it they need to know what the penalties can be. It could be jail time or heavy civil fines."

Motoko Rich

In brief

☐ Singapore unveiled its high-tech "court of the future" last Friday and a judge said the use of computers and video conferencing could halve the time it takes to hear a case.

The scheme could also save taxpayers money and child witnesses the trauma of appearing in open court.

The Subordinate Courts unveiled the project, known as Court Vision 21.

A district judge presided over a mock trial which used dial-up video-conferencing, voice-recognition transcription systems, pen-based computing and other multimedia applications.

"The legal aspects will have to be looked into," said district judge Adrian Soon. For instance, delivery of testimony via video is not now admissible. However, he believed courts of the future could hear twice as many cases a day if fully automated.

Wee Teck Hin, head of information systems at the Singapore National Computer Board, said the demonstration aimed to satisfy the three main objectives of the court of the future: paperless systems, instant transcription of evidence and the giving of testimony by video transmission.

The trial used "litigation support software", allowing evidence and exhibits produced in court to be called up almost instantaneously on the judge's personal computer in his chambers.

Another piece of software, "SING" (Sentencing Information Guide System), allows instant storage and retrieval of documents in text, video, image and voice.

The project is being conducted by the Subordinate Courts, the computer board and several suppliers.

■ NEC Corp., the Japanese computer group which holds more than 50 per cent of the country's personal computer market, said last Friday that it plans to market in Japan a video-on-demand system, in which users can call up videos through their computers.

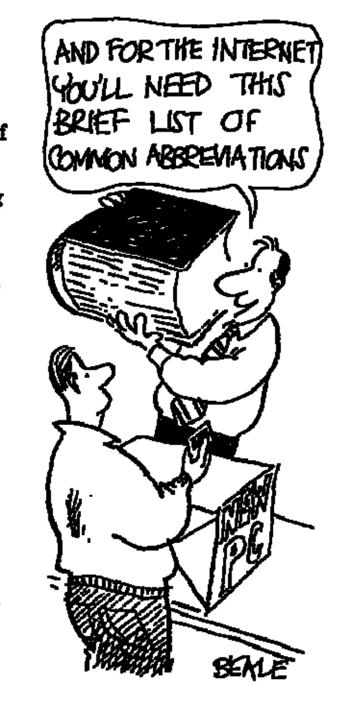
The system, to be available early next year, will employ technology acquired from Starlight Network Inc., a small US software concern based in California.

Even with modifications by NEC, the Starlight Network technology enables video transmission to only 200 users, so NEC plans to target business customers to start.

In video-on-demand, users can call up, via their computer terminals, any video that is offered by the system. Branch offices of a company, for example, could gain immediate access to a company news video produced at headquarters.

In the future, the technology could enable people to watch the latest video release at home without having to go out to their local video hire store. NEC also said it believed the system would generate demand as a teaching aid in schools.

A Newbie's guide to Internet lingo :-)



The most mild mannered person can become reckless and aggressive behind the steering wheel of a car. Computer keyboards, it seems, often have a similar effect. People who would not dream of using epithets in casual conversation, swear outrageously when exchanging electronic messages.

For novice drivers on the information highway, this can come as quite a shock. A naive question, calling for advice, is likely to receive a sharp response such as "RTFM" (read the **** manual) or , if you are lucky, "Read the FAQs" (frequently asked questions) from a more experienced traveller who is not happy to be stuck behind a "Net Newbie" (a learner driver). The Net might be the new open space of global communications but its actually structured by a highly developed etiquette and snobbery.

To avoid confrontations, keep a smile on your face. This can be achieved quite simply by typing :-) at the end of your messages. Turned on its side, this looks like a pair of eyes, nose and a smiling mouth.

Over the years, "smileys" as they are called on the Internet, have becoming increasingly elaborate. There is ;-) for winking and :-{) a smiley with mustache. :-x means "my lips are sealed" and =:-) is a punk rocker.

If you are feeling :-(and lonely, the Internet is a great place to meet MOTOS (members of the opposite sex) or MOTAS (members of the appropriate sex). Get too personal, however, and you may be told LJBF (lets just be friends), or CU (see you).

Since the Internet is a place where everybody has an opinion, there are shortcuts to expressing them. IMHO is perhaps the commonest net acronym, meaning "in my humble opinion". It is generally used in a far from humble manner.

BTW (by the way) you should never send a message on the Usenet (user network) that you don't want thousands of people to read IMHO. It is in the PD (public domain) and YOYW (you own your words).

If you want to make an impression on the Net, don't spend \$ (money) on designer jeans, just make up your own acronym and use it as if everyone else ought to know what it means. As an example TOD (the other day) will do quite adequately. If you do not know what you are talking about, do not be dissuaded from corresponding with thousands of other Net users. There are three marvellous words that can be substituted for any word: foo, bar and foobar are used as generics, as in "The foobar Times, what's it called again?"

An important rule is always to have some comment to make. It is called the Ob- , such as the Objoke, the obligatory joke. This is not to be confused with the OS, the computer operating system, which is far from funny and can easily become the subject of a lengthy and highly technical 'Net exchange.

Getting "flamed" is a rite of passage on the "info highway" a term that is BYW (by the way) de rigueur among REAL Netters. It is not too difficult to incite such personal attacks.

A sure way to set the Net afire is to send messages suggesting that it is populated by people who can't spell and whose grammar is poor. This , of course, is true – but it is not a nice thing to point out IMHO.

Vietnamese airport

Vietnam Airlines is planning to enlarge and modernize Tan Son Nhat International Airport in Ho Chi Minh City to handle 8m passengers and 160,000 tons of cargo by 2000.

Tan Son Nhat is well known to Americans as the hub of US military operations during the Vietnam War more than 20 years ago, when there were more than half a million troops based in the country.

Delays in Denver

Denver International Airport, the opening of which has been long delayed, ran into further trouble last week with reports that there may be problems with the way its runways were built.

Allegations last week from the University of Colorado-Denver that some of the runways had developed hairline fractures were dismissed by the airport. It said: "We are strongly confident that its runways were built right."

The airport's opening has been delayed by a string of setbacks including difficulties with an automated baggage handling system.

Philippine Airlines

Striking ground staff at Philippine Airlines lifted their pickets and returned to work last Friday in compliance with a Labor Department order, union and management officials said.

Management will take back the strikers without retaliatory action. The airline will also take back 40 union officers who led a June 16 strike, until their cases have been decided by the Labor Department.

Qantas facelift

Australia's Qantas Airways has unveiled plans for a facelift to improve services and make it more competitive with other leading Asian carriers before the company's flotation next year.

Changes include new cabin interiors for the entire Qantas fleet of 120 aircraft, decorated with Australian designs and themes, as well as new staff uniforms.

Qantas' managing director James Strong described the changes as the biggest since the airline introduced the jumbo jet to its fleet more than 20 years ago. Mr Strong said the changes would be introduced over the next year.

UK rail disruption

Travellers to Britain today may be caught by the latest in a series of strikes by rail signal staff.

The strike is part of what has turned into one of the most bitter industrial disputes since the year-long 1984-85 miners' strike. The dispute is over a pay offer and plans for changes to working practices.

British Rail is running a significant minority of services despite the strike.

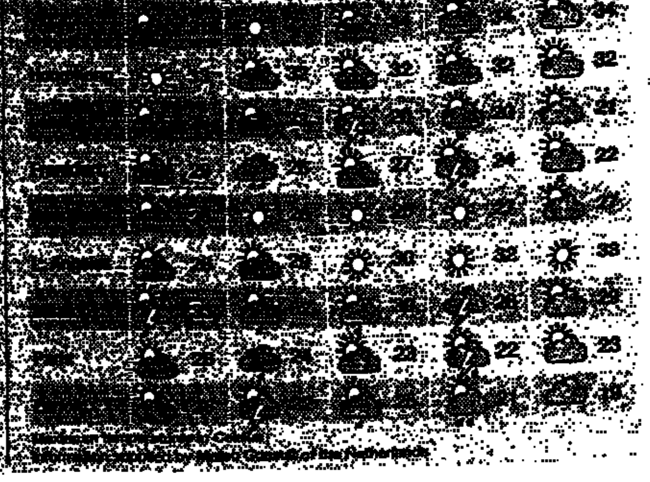
In the bag

Britain lost out to Spain last week in what it prides itself on doing best – making a cup of tea.

Spain's national airline Iberia won the 1994 In-Flight Best Cup of Tea Award from Britain's National Tea Council, beating British Airways and British Midland at making the nation's drink.

"We were absolutely delighted," said an Iberia spokeswoman. To make the award a team of tea tasters travelled 672,436 air miles on 239 flights with 60 different airlines. The defeated British were characteristically tight-lipped.

Likely weather in the leading business centres



Though its crime rate is high, São Paulo is a safe city for foreigners to visit, says **Patrick McCurry**

Friendly metropolis

It may lack the scenic charm of Rio de Janeiro, and suffer from pollution and a high crime rate, but São Paulo is a dynamic and generally friendly city that is geared towards business.

The city was largely founded on Brazil's coffee industry in the last century. Since the 1950s, industrialisation has spread and transformed São Paulo into South America's biggest and most economically powerful metropolis.

Foreign visitors usually arrive at the city's international airport in Guarulhos. From there, you can catch one of the half-hourly executive buses that tour the top hotels in the centre, or go to the reliable *cooperativa* taxi stands, where the fare is paid in advance.

Money can be changed at the airport, hotels or *bureaux de change*, known as *doleiros*. The latter usually offer the best rates, but they often do not accept traveller's cheques.

The approach from the airport to the city centre is unprepossessing. Much of the route follows the river Tietê, one of the world's most polluted waterways. As you approach São Paulo, the horizon becomes crowded with the centre's skyscrapers, like a mini Manhattan, but this impressive sight is diminished by dreary concrete flyovers and roadside shanty towns.

The city's more attractive face is the chic Jardins area, which borders the modern Avenida Paulista, the main financial and business district. Many of the luxury hotels, such as the Maksoud Plaza and Mofarrez Sheraton, are in Jardins. Other upmarket hotels, including the Ca d'Oro and the Hilton, are nearer the old downtown *centro*.

A few of the big banks and companies have head offices in the *centro*, but many have moved to the Paulista financial district or to suburbs, such as Santo Amaro in the south. For this reason, as well as the frequent traffic jams, leave plenty of time to get to appointments.

> **Do not worry about getting lost – it is inevitable in the bewildering mass of streets**

Do not worry too much about getting lost – it is almost inevitable. São Paulo is a bewildering mass of one-way streets, similar-looking modern buildings and motorways, with few natural landmarks to help orientation. However, taxis are plentiful and still relatively cheap. Unlike their counterparts in Rio de Janeiro, São Paulo taxi drivers are usually safe and honest. The driver calculates the fare by matching the number on the meter with a table of prices.

There is also a small but efficient underground system, to be avoided at rush hours, and a complex bus network, to be avoided at all times.

For business meetings, Paulistanos, as the city's residents are known, are usually punctual. Exchanging business cards is customary, but executives tend to be less formal than in other Latin American countries – it is common to use first names fairly soon.

Bring a light suit, because the city can get very hot. If you arrive in Brazil's winter, between June and September, you may need thicker clothing, including pullovers and a coat.

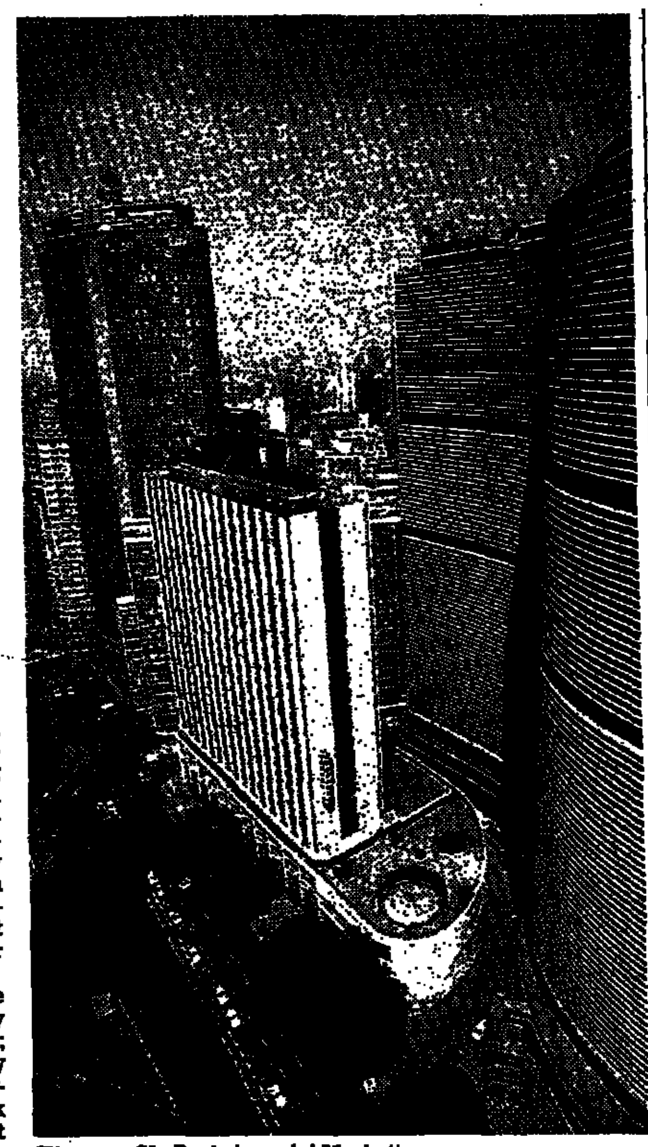
There are few tourist sights in São Paulo, but there is a wide variety of restaurants. With a population of nearly 17m, São Paulo is one of the most multicultural cities in the world, with large communities of Italians, east Europeans and Arabs, and the largest Japanese settlement outside Japan.

Liberdade, the Japanese neighbourhood, has several good restaurants, including Sushi-Yassu in Rua Tomás Gonzaga. Rua Treze de Maio in Bixiga, the Italian district, also has a large number of restaurants and bars. Other recommended restaurants are Massimo's in Alameda Santos, Jardins; the Ca d'Oro hotel; and, for north-eastern cuisine, Andrade's in Rua Arturo de Azevedo, Pinheiros.

Brazil's national dish is the rather heavy *feijoada*, a meat and black bean stew originally eaten by slaves. *Feijoada* is traditionally eaten on Wednesdays and Saturdays accompanied by a *caipirinha*, which is *cachaça* (sugar cane alcohol) with lime, sugar and crushed ice. *Caipirinhas* are delicious but deceptively strong.

For a flavour of the real São Paulo, visit a local football match. The city is home to several excellent teams, including São Paulo FC, South American champions; Palmeiras, Brazilian champions; and Corinthians. There are games virtually the year round, and tickets can usually be bought at the turnstiles. Violence is unlikely, but avoid wearing jewellery or expensive watches.

São Paulo has a high crime rate, but this is usually restricted to poorer districts; business travellers are unlikely to run into difficulties. However, it is not advisable to walk around the *centro* late at night – if in doubt, take a taxi.



Cityscape: São Paulo is a mini Manhattan

Pick of the world's airlines

Michael Skapinker on the factors that influence passengers' choice

On a scale of one to 10, how would you rate the food on your most recent flight? What about the seating, the cabin crew and the in-flight entertainment?

Every year, the Travel Research Centre puts these and other questions to about 20,000 passengers arriving at London's Gatwick and Heathrow airports. Based on the replies, Michael Brooks, the head of the centre, has attempted to formulate a general theory of airline choice. He will be presenting his findings to an airline conference in London next month.

Brooks says some airlines score well on most of the questions asked, but remain at the bottom of the list of passengers' preferred carriers. The reason is that they are not regarded as safe. This might be because of specific incidents or because their aircraft look old and worn.

Airlines that succeed on the safety test have to pass a second barrier: are they part of an attractive frequent-flyer programme? If they are, they might be chosen even if their service is less than adequate.

In the US, however, business travellers participate in so many frequent-flyer schemes that they do not feel tied to one particular airline. What matters is how good the airline is.

So which are the good airlines? Brooks says British Airways achieves some of the highest scores on all routes. Surprisingly, it comes top of hardly any of the individual categories, such as cabin crew and food. Nevertheless, its performance in each category is strong enough to make it a market leader overall.

For south-east Asian carriers, it is not enough to be second best. Their advertising makes so much of their cabin service that, if this is not top class, their overall customer satisfaction rating drops.

Brooks says both Malaysian Airlines and Singapore Airlines achieve high levels of customer satisfaction. Malaysian beats Singapore in the passenger satisfaction ratings for cabin crew, food and in-flight entertainment.

On North Atlantic routes, Continental of the US scores well, beating Virgin Atlantic of the UK on all counts except for in-flight entertainment.

Northwest, the US airline, does well on seating and check-in arrangements. Brooks says, however, that the carrier still has weaknesses, with passengers finding its cabin crew unenthusiastic.

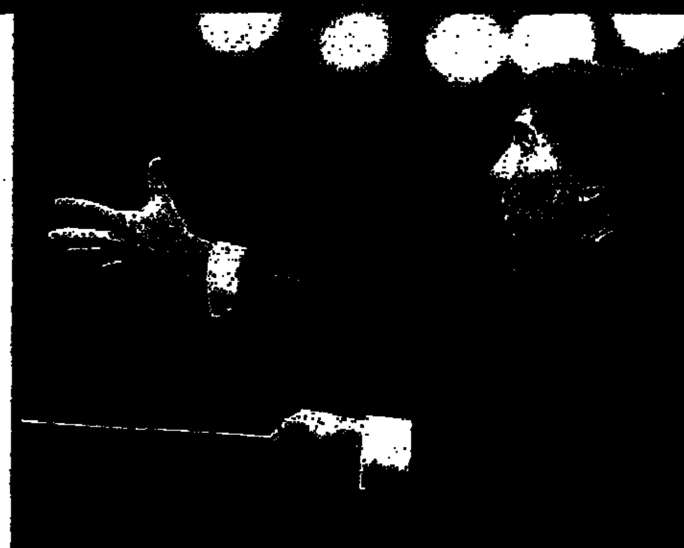
ARTS

OPENINGS

EDINBURGH
Last chance tonight at the Edinburgh Festival for dance-lovers to see Mark Morris's (left) life-enhancing "L'Allegro" at the Festival Theatre; Lucinda Childs and Merce Cunningham bring their companies to the Festival this week as well.
There will be three performances of Peter Stein's seven-and-a-half-hour production of Aeschylus's "Oresteia" trilogy in the Murrayfield Ice Rink. Performed by a Russian cast of actors in their native language, this staging has been touring the world for several months. Other festival drama this week includes Stephane Braunschweig's production of "A Winter's Tale", performed in French by the French National Drama Centre in Orlean; and the Abbey Theatre, Dublin, in Patrick Mason's staging of one of J.M.Synge's lesser-known plays, "The Well of the Saints".

LONDON THEATRE
The Rattigan revival continues. After recent revivals of such plays by Terence Rattigan as "The Deep Blue Sea", "Separate Tables" and "The Browning Version", his famous drama "The Winslow Boy" returns to the West End this week. Peter Barkworth takes the role played by Robert Donat in the movie version, Nyree Dawn Porter co-stars (left); Wyn Jones directs.

SALZBURG
Gerard Mortier has saved the biggest gamble of this year's festival until the end - a staging of Stravinsky's Oedipus Rex and Symphony of Psalms, which receives the first of three performances tonight. The production, occupying the vast expanse of the Grosses Festspielhaus, is directed by American enfant terrible Peter Sellars (left) and designed by an avant-garde firm of German architects.



ROYAL ALBERT HALL
The Proms 100th season reaches its climax this week with the start of an impressive line-up of visiting orchestras. On Thursday and Friday a long queue of promenaders can be expected to see Claudio Abbado (left) conducting the Berlin Philharmonic in Mahler's Ninth Symphony and a Russian showpiece programme. Over the weekend they are followed by the Cleveland Orchestra under Christoph von Dohnanyi, the first of this year's three prestigious American orchestras.

The remarkable Mark Morris

Clement Crisp on the American choreographer's L'Allegro at the Festival Theatre, Edinburgh

It is one of the most encouraging and most imaginative things about the Edinburgh Festival that it should have established a special relationship with Mark Morris. This year brings his third consecutive appearance at the Festival. And this year Lothian Regional Council and the Foundation for Sports and the Arts have initiated an educational project (funded by ScottishPower) which will provide classroom sessions and further involvement with the Morris company to children and older students.

There is talk of another Morris visit next year. Such patronage and Festival support argues a sense of responsibility and respect for a major artist – and his public – which can bring wonderful rewards.

Morris' offering this year is that luminous *L'Allegro, il Penseroso ed il Moderato* which he staged as his first offering when he took up residence in Brussels in 1988. Morris was not the man for the Brussels public, hankering after that other Maurice (Béjart) who had been their dance-guru for a quarter of a century, but the Monnaie opera house, where he was installed as Béjart's successor, provided a fine stage and tremendous musical forces. Morris seized the moment. His affection for – and wonderfully imaginative response to – baroque music could be properly satisfied with the means he had gained. So he chose to realise *L'Allegro ed il Penseroso*, Handel's setting of Milton (in the admittedly somewhat compromised version made by Charles Jennens, whose advocacy of moderation provides some earnest but blessedly brief versifying for il Moderato).

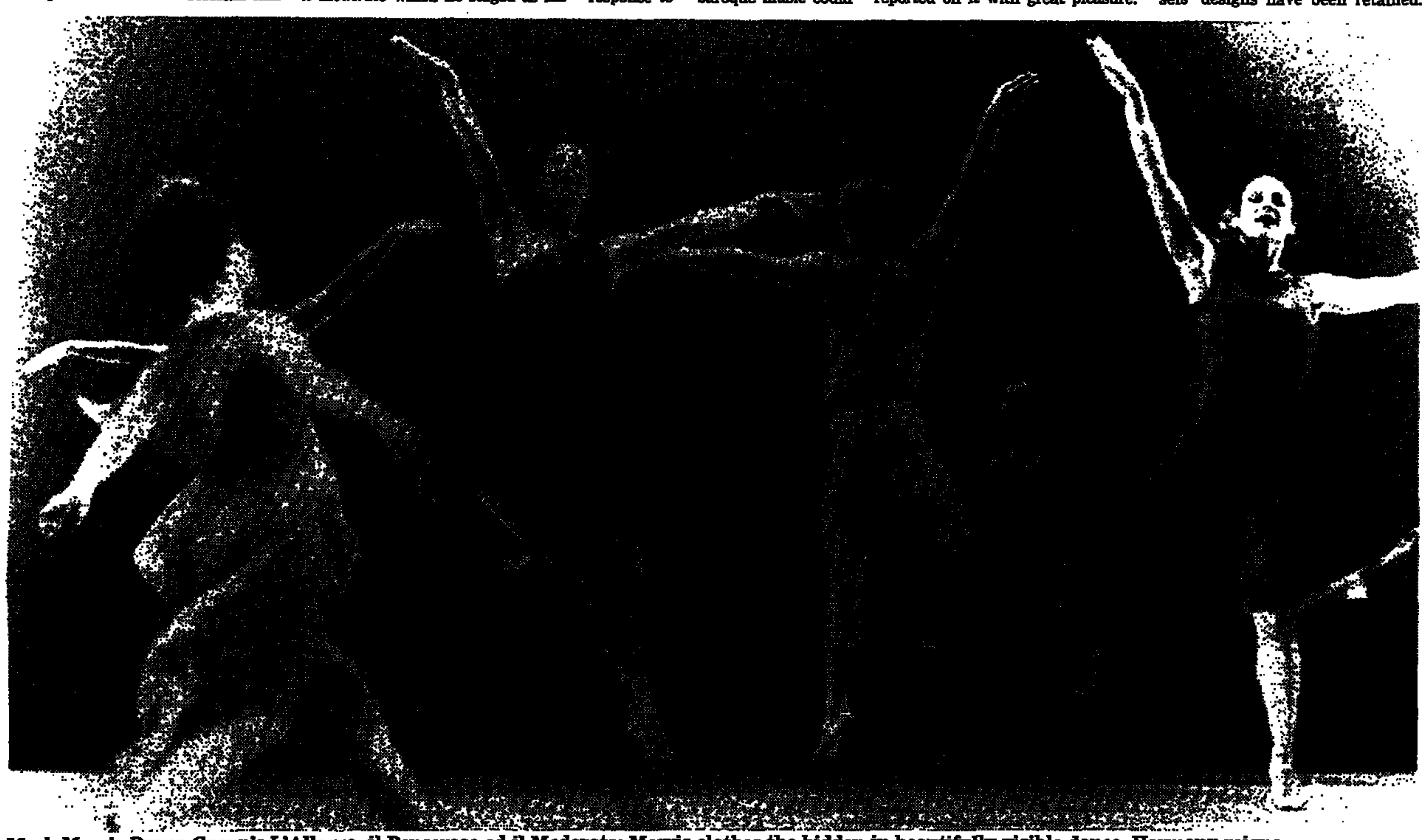
The resultant piece, given in December 1988, was a joy, and I reported on it with great pleasure. Here was a choreographer, already remarkable for his ability to clothe music with sensitive movement, at full stretch, grandly responsive to an important score. Now *L'Allegro* has been brought to Edinburgh, in two performances at the Festival Theatre at the weekend, with the Scottish Chamber Orchestra, the Edinburgh Schola Cantorum, and soloists under Gareth Jones – and it looked splendid indeed. The Brussels' designs have been retained. Adrianne Lobel's succession of gauzes turn the stage into a magical arena where blocks of pure colour are both dramatic and allusive. James Ingalls' lighting is a marvel in illuminating the dance while still creating atmosphere. Christine van Loon's clothes are simple, always apt, lightly flowing.

An uncompromised clarity is the most obvious quality of Morris' dances for his cast of 12 men and 12 women. The effect comes from his decision that words should find immediate theatrical life in gesture and movement, that as a voice sings "ivy-crowned" dancers will briefly sketch a crown on their heads, that "Jest and youthful Jollity" should mean just that in steps and capers. Morris is looking back to those "music visualisations" which were part of the first naive strivings of American Modern Dance, but his manner places such genuine innocence within a vastly sophisticated context.

At his most powerful and most searching, the images open out on to the European pastoral tradition, and to much older ideals about dance. His hunting scene, inspired by "To listen how the hounds and horn/Cheerly rouse the slumb'ring morn/From the side of some hoar hill", reaches back to Renaissance festivities, as dancers impersonate trees, hill, hounds, quarry. The closing ring dances evoke those theological ideals of celestial harmony which occupied the Fathers of the church. Morris' choreography renews the past for us with a radiant assurance: it is effortlessly both *then* and *now*.

In everything Morris respects words as well as score. Clear textures, quickly passing imagery, a certain modesty of means – no bravura; no rodomontade – are the keynotes to the work. The swathes of group dances which the piece to its close – chains, rings, long lines of simplest movement – are powerful evidence of his command of effects. Here we see him, in Milton's words, "Untwisting all the chains that tie/The hidden soul of harmony". Morris clothes the hidden in beautifully visible dance. Harmony reigns.

The musical performance under Gareth Jones was stylish. The singers were pleasing – though in a work where every word counts so that we may savour what Morris does with it, I wish that diction had been uniformly exact. The Morris company dancers were dedicated, and very fine.



Mark Morris Dance Group's L'Allegro, il Penseroso ed il Moderato: Morris clothes the hidden in beautifully visible dance. Harmony reigns.

Prom/Anthony Bye

Lightweight tribute to Sir Henry

When, over 80 years ago, Sir Henry Wood confronted an unsuspected Prom audience with the world premiere of Schoenberg's *five orchestral pieces*, its reaction was decidely frosty. Even today one can well sympathise: Schoenberg's Expressionist masterwork has lost none of its explosive force and capacity to unnerve. Indeed, he might well have subtitled it "Fantasia on themes by Freud", such is the unswerving accuracy with which he translated modern man's deepest anxieties into vivid musical images. Its reception at last Friday's BBC Symphony orchestra Prom, designed as a 50th anniversary tribute to Sir Henry, proved, however, to be a much more sanguine affair.

No doubt Andrew Davis's rather lightweight direction, a model of misplaced propriety, have something to do with it, minimising Schoenberg's abrupt juxtapositions and some eruptions of some unmotivated violence and bringing consolation, where, none, surely, is meant. At times, one could even detect definitives with Elgar's *funeral march from "Grania and Diarmid"* which began the concert.

Unsurprisingly, such affinities are hardly to be found in Vaughan Williams' *Serenade to Music*, that great celebration of Shakespeare, music and the cream of Britain's inter-war singing talent. If one can never hope to recapture the unique, irreplaceable qualities of Sir Henry's original cast recording, Davis and his chosen 12 were still able to let VW's luminous music weave its spell, with each little solo beautifully etched yet subservient to the glowing colours to the whole.

Given the right soloists and a sympathetic conductor, the VW more or less plays itself. I'm not sure whether that's true, or at least, ought to be true of Beethoven, whose 7th Symphony was selected for the concert's second half. Maybe in his choice of ultra brisk tempi, Davis was aiming for some of the fiery brilliance with which the infirm Sir Henry, at the last concert he ever conducted, was reported to have imbued the work. Davis turned the symphony into a remorseless and *Totentanz*, more an apocalypse than the "apotheosis of the dance" which Wagner dubbed it. It's a view, I suppose, but one which robbed the work of its internal tensions and releases.

It was an interpretation not enhanced by Davis's unsettling habit of raising imploring eyes aloft, as if offering up prayers for a safe deliverance, luckily, one duly occured: Sir Henry's grandiloquent orchestration of Rachmaninov's C sharp minor Prelude, complete with organ and five percussionists, a bizarre exercise perhaps, but further testimony to the versatility of a man whose vision and practicality we all have much to be grateful for.

Young stars out on an Edinburgh night

Richard Fairman assesses the European Community Youth Orchestra

With the arrival of the European Community Youth Orchestra the platform at the Usher Hall was a blaze of colour. The twelve flags of the member countries were on display and regulation attire for the ladies of the orchestra was bright blue dresses and stoles decorated with European stars, as though each had been wrapped in the Union flag before coming on.

What a lot of blue there was, too. About three-quarters of the ECYO's present membership are women, the heavy brass and double-bass sections seeming to be the only remaining bastions of male domination. No doubt the administration wants as many youngsters as possible to have a chance of taking part and the size of the orchestra is huge, including so many string players that there was barely room for them on the stage.

The orchestra's summer tour is split into two parts: smaller venues are getting a Bartók and Mahler programme under James Judd (the ECYO's Artistic Director), while major festivals such as Salzburg and the Proms warrant Carlo Maria Giulini, who is conducting Brahms symphonies. For Giulini, a visit to the Edinburgh Festival must seem a sentimental affair, as this was the scene of his British debut back in 1955.

Forty years on, his conducting style has become more notable for its gravity of expression than any youthful spontaneity. With the massive army of strings at his disposal, these were always going to be weighty performances anyway. It would be rash to claim that the ECYO is up to professional standards (student bands rarely manage to produce a sophisticated quality of sound and there were some raw noises here) but it manages an impressive unanimity of ensemble, given the numbers involved.

Indeed, there are major orchestras which might be less responsive to Giulini's indulgent phrasing of the Second Symphony. His Brahms now goes very slowly and the richly lyrical playing that he likes is not enough to make up for a debilitating lack of momentum. In the Fourth Symphony, there was some good solo playing to hold the attention – first flute and clarinet both wanting to make real music – and Giulini's muscular rhythms also generated more tension. The end of the symphony was awesome and powerful.

After Edinburgh and a Saturday night appearance at the Proms, the ECYO is heading off to Germany and the Netherlands. Presumably the young musicians of four other countries will soon be hoping to join, which will mean still higher standards and even more stars on the designer evening wear.

INTERNATIONAL ARTS GUIDE

■ BERLIN

● The 1994 Berlin Festival (Aug 30-Sep 29) includes performances by the Berlin Philharmonic Orchestra under Abbado, Barenboim, Boulez and Tennstedt, plus recitals by Pollini, Brendel and Christa Ludwig, and a focus on the music of Berthold Goldschmidt (030-2548 9250)
● St Petersburg's Maly Theatre gives performances at the Volksbühne am Rosa Luxemburg Platz from Sep 1 to 4 (030-282 3394)
● Maximilian Schell stars as Professor Higgins in a German-language staging of My Fair Lady directed by Frank Dunlop, daily except Mon at the Schiller Theater (030-313 5031)
● Daniel Barenboim conducts the Orchestra and Chorus of the Staatsoper unter den Linden in an outdoor performance of Verdi's Requiem at the Waldbühne on Sep 2. The Staatsoper opens its new season on Sep 3 with the first of three guest performances by Roland Petit's Ballet National de Marseille (030-200 4762)
● The Deutsche Oper reopens on Sep 1 with a revival of Aribert Reimann's Kafka opera Das Schloss. The opening week also includes Un ballo in maschera, Madama Butterfly and Katya Kabanova (030-341 0249)

■ COLOGNE

Philharmonie Thurs: Seiji Ozawa conducts Saito Kinen Orchestra in works by Stravinsky and Tchaikovsky. Fri, Sat: Hans Vonk conducts Cologne Radio Symphony Orchestra in Schumann and Bruckner, with cellist Heinrich Schiff. Sun, next Mon and Tues: James Conlon conducts Gürzenich Orchestra in Bruckner's Ninth Symphony (0221-2801)

■ DRESDEN

Semperoper The new season begins on Fri with a revival of Hans Hollmann's production of The Cunning Little Vixen conducted by Wolfgang Rennert. This is followed on Sat by Capriccio with a cast headed by Mariette Kemmer, Theo Adam and Alan Titus. The Dresden Staatskapelle gives concerts under Giuseppe Sinopoli on Aug 28, 29 and 30, and under Colin Davis on Sep 4, 5 and 11 (0351-484 2323)

■ FRANKFURT

The Frankfurt Festival opens at the Alte Oper on Fri with a concert by the Frankfurt Opera Orchestra conducted by Stefan Soltesz, featuring the world premiere of Luca Lombardi's Third Symphony. Kurt Masur conducts the Leipzig Gewandhaus Orchestra on Sat and Sun, followed next Mon by the Royal Concertgebouw Orchestra under Riccardo Chailly. Other visitors to the festival, which runs till Oct 3, include the Israel Philharmonic under Solti, the Chamber Orchestra of Europe under Rozhdestvensky and the Los Angeles Philharmonic under Salonen. Recitalists include Anne Sophie Mutter, Midori and Mitsuko Uchida (069-134 0400)

■ GENEVA

The final events in the summer concert series organised by the city of Geneva are a samba night at Théâtre de Verdure this evening, followed by The Georgiam's Big Band on Wed. The Swiss Consort plays a Vivaldi concerto programme at Cour de l'Hôtel de Ville on Sat (022-786 5545/022-312 4353). The 1994-5 season at the Grand Théâtre opens on Sep 12 with a new production of Idomeneo, staged by Christopher Alden and conducted by Armin Jordan (022-311 2311)

■ HAMBURG

● David Merrick's musical 42nd Street runs daily till Sun at the Deutsches Schauspielhaus (040-248713)
● Hamburg's annual music festival runs from Sep 4 to 18, with a special focus on Schumann and Paul Dessau (040-354414)

■ NEW YORK

THEATRE
● Three Tall Women: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, Broadway at 76th St, 239 6200)
● Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)
● Perfect Crime: Warren Manzi's long-running thriller about a wealthy psychiatrist accused of murdering her husband, and the small-town detective who tries to prove she committed the perfect crime (Duffy, 1553 Broadway at 46th St, 695 3401)
● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Final week (Richard Rodgers, 226 West 46th St, 307 4100)
● Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)
● Tommy: a musical written and composed by Pete Townshend, based on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a pinball wizard (St James, 246 West 44th St, 239 6200)

■ STUTTGART

LUDWIGSBURG FESTIVAL
Tonight's recital is given by the Alban Berg Quartet. Christoph von Dohnanyi conducts the Cleveland Orchestra on Thurs in works by Bach/Webern, Stravinsky and Mahler, with violin soloist Christian Tetzlaff. Lorin Maazel conducts the Pittsburgh Symphony Orchestra on Sun in works by Brahms and Ravel. The festival runs till September 25 (07141-939610)

■ VIENNA

● The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for the Vienna Kammeroper's summer productions. The season ends this week with performances of Don Giovanni (01-513 0851)
● This is the final week of Klangbogen, Vienna's summer concert series. Heinz Prammer conducts the Czech Symphony Orchestra in a Smetana and Dvorak programme tonight at Rathaus Arkadenhof. Vladimir Fedosseyev conducts the Moscow Radio Symphony Orchestra in a Russian programme at the Musikverein on Wed. Fabio Lusi conducts the Tonkünstler Orchestra in a Brahms and Liszt programme at the Musikverein on Thurs. Martin Haselböck conducts the Wiener Akademie period instrument ensemble and Chorus in Mozart's Requiem at the Augustinerkirche on Fri. The final concert, at the Musikverein next Tues, features Stefan Vladar as soloist in Brahms' First Piano Concerto (01-4000 8410)
● The Vienna State Opera is closed for renovation till Dec 14. The opera ensemble will tour Japan and then perform Cosi fan tutte under Riccardo Muti at the Theater an der Wien, starting Oct 30 (01-58885). The State Opera ballet will appear at the Volksoper in a new production of Lehar's The Merry Widow, opening on Sep 19 (514440)
● The opening theatre productions of the new season are Lessing's Emilia Galotti at the Volkstheater on Sep 4 (01-932776) and Shakespeare's Titus Andronicus at the Akademietheater on Sep 10, the latter directed by Claus Peymann (01-514440)

■ ZURICH

Opernhaus The new season begins tonight with the first of four celebrity orchestral concerts. Tonight's programme features the Moscow Radio Symphony Orchestra under Vladimir Fedosseyev. On Wed, Mariss Jansons conducts the Zurich Opera Orchestra in works by Mozart and Beethoven. On Thurs, Marcello Viotti conducts the Saarland Radio Symphony Orchestra in an opera concert with vocal soloists. On Sun, Georges Prêtre conducts the Opera Orchestra in Dvorak and Bruckner. The first opera performance of the 1994-5 season is on Sep 1, when Mara Zampieri, Neil Shicoff and Ruggero Raimondi star in Tosca. The first new production is Mascagni's L'amico Fritz, opening on Sep 9 in Winterthur (01-262 0909)
Tonhalle The season opens on Wed with the first of three Beethoven concerts conducted by Claus Peter Flor, featuring Rudolf Buchbinder as soloist in the piano concertos. The other two concerts are on Aug 29 and Sep 2 (01-261 1600)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730.

Jackets come off

Neil Buckley on the row over the UK net book agreement

For 20 years, Cynthia and Tony Reavell have run a bookshop in Rye, East Sussex – the kind of shop where visitors browse on rainy afternoons. The recession made life hard, but they fear the next few years may be even tougher.

The reason is last week's announcement by Sir Bryan Carsberg, UK director-general of fair trading, that he was asking the restrictive practices court (which rules whether agreements between companies are anti-competitive) to review the net book agreement – the mechanism which allows publishers to set retail prices of most books and prevent discounting.

As pressure is growing from some retailers and publishers for the agreement to be ended, and many bookshops circumvent it, Sir Bryan decided there was now a strong case for it to be dismantled.

The agreement's demise could lead to the biggest upheaval in the UK book trade for decades. Opponents, such as Mr Terry Maher, former chairman of Pentos, the UK's second largest book retailer, say abolishing it would lead to lower book prices, higher sales and a more vibrant industry.

But Mrs Reavell believes that if the court abolishes the agreement, hundreds of shops like hers will no longer be able to compete with price-cutting retail chains. "It would be pretty disastrous," she says. "But we will not go down without a fight."

Since it was first signed in 1957, the net book agreement has allowed publishers to set the retail price of titles they designate "net" books – they currently choose to publish three-quarters of books sold in the UK within the agreement. A retailer selling a book below the net price would risk legal action from the publisher.

Such price-setting by producers was outlawed in most product areas by the Resale Prices Act 1964. But a restrictive practices court ruling in the same year exempted books from the provisions of the act on the grounds that the net book agreement operated in the public interest.

The arguments the court used to justify its 1964 ruling are still employed by the agreement's supporters today. They are based on the notion that books are "special", that their cultural and educational value means the number of bookshops, publishers and titles available must be maximised.

"With the support of the agreement, the UK has possibly the finest and most competitive retailing structure anywhere in the world," says Mr Clive Bradley, chief executive of the Publishers Association, which represents 80 per cent of publishers.

His association, along with the Booksellers Association, which represents 90 per cent of bookshops, offers grim warnings of what would happen if the agreement were abolished:

- Discounting by larger chains and non-specialist bookshops would reduce profit margins throughout the industry and weaker retailers and publishers would disappear.
- Bookshops would carry narrower ranges, and fewer titles would be published.
- Average prices of books would rise. If bestsellers were discounted, publishers and booksellers would put up the price of other books to recoup lost margins.

'We want to attract a lot of people who currently never set foot in bookshops'

Opponents of the agreement counter such arguments by pointing out that the book market has changed substantially since 1964. They point to the consolidation that has occurred in book retailing and publishing. Two retailers account for almost one-third of consumer book sales: W.H. Smith, which runs Waterstones; and Pentos, owner of Dillons, Hatchards and Athena.

Many weaker booksellers and publishers have already disappeared, and those that are left, which have invested in new technology and improved their efficiency, are better placed to withstand the end of the agreement.

A still more powerful argument for abandoning the agreement, says Mr Julian Rivers, Dillons group marketing director, is that allowing booksellers to compete on price would increase the size of the book market. "The ability to discount prices would allow us to market far more effectively, and attract a lot of people who currently never set foot in bookshops," he says.

He says the argument that price-cutting on some books would lead to lower margins (with the knock-on effects of higher prices for other books and fewer books being published) is invalid, because it assumes little or no growth in sales. He adds that Dillons' experiments with discounting of non-net books led to a fourfold or fivefold increase in sales of the titles involved.

Which side of the argument is right? In the unregulated US book market, bestsellers are cheaper than in the UK, but the Publishers Association in London says average book prices are similar to the UK's. Moreover, the association says, not as many new titles are published in the US – fewer than 60,000 in 1992, compared with 78,000 in the UK. Opponents of the net book agreement suggest too many titles are published in the UK, often of poor quality.

Whether or not the restrictive practices court rules against the agreement – its decision could be more than a year away – there are signs that the arrangement is already unravelling.

Bargain bookstores are proliferating, including those which specialise in discounted non-net books and end-of-line titles, and retail outlets operated by book clubs, whose membership structure means they are not subject to the net book agreement. US-style warehouse clubs such as Costco are using similar methods to discount books.

The commitment of large publishers may also be waning. Reed, the UK's third biggest, withdrew from the agreement in 1991, and Mr Maher, the veteran campaigner against the agreement, predicts other large groups will follow before the end of the year.

The breakdown of the agreement would make the ruling of the restrictive practices court less relevant, and would remove the cosy certainties of the book industry during recent decades. But if that leads to a period of faster growth in the book selling industry, visitors to Rye – and other small towns – would still have somewhere to spend rainy afternoons.

John Lloyd and Chrystia Freeland on Russia's yen for influence in the former Soviet Union

The empire that can't fight back

Boris Yeltsin, president of Russia
Alexander Lukashenko, president of Belarus
Leonid Kuchma, president of Ukraine

Russia yesterday commemorated the third anniversary of the 1991 attempted coup when hard-liners tried to stop the Soviet Union from falling apart.

But those Muscovites who braved the rainy weather to join a small pro-democracy anniversary rally invoked little of the euphoria which intoxicated Moscow three years ago as Russians defied the plotters and rallied around President Boris Yeltsin.

Instead of exultation, the dominant mood in the former Soviet Union is of nostalgia. Increasingly, Russians mourn the loss of their empire and non-Russians in newly independent states look back longingly to the days when their lives were constrained, but more economically secure.

Thus, General Valentin Varennikov, the only coup leader to choose to go to trial, was triumphantly acquitted this month. With his call for the recreation of the Soviet Union, he has been transformed from villain to hero. Hard-line communists and other conservatives out-shouted the pro-democracy rallies yesterday. Similar sentiments provide the power base for the flamboyantly imperialist Mr Vladimir Zhirinovsky.

But the spectre of a newly emboldened Russia which would seek to reconquer by force the territories lost almost by accident, has not materialised. While the pro-union rhetoric may be getting louder and finding a growing constituency throughout the former USSR, it is apparent that the old empire cannot easily be put back together again.

Overtly imperial actions – such as Moscow's quiet backing for pro-Russian politicians in Azerbaijan and Tajikistan; or Russia's pressure on Georgia to abandon its stalwart independence – have been limited to the southern periphery, which Russia is not really sure it wants within its borders.

As far as the Slav heartland is concerned, bit by bit the imperial scare has been replaced by a different perception, one assiduously promoted by Russia itself – that far from Russia pursuing expansionist purposes, most of the states of the former Soviet Union wish themselves to re-establish links with it.

This view received great support from the victories, in the Ukrainian and Belarussian presidential elections in July, of Leonid Kuchma and Alexander Lukashenko – both running on tickets of closer union with Russia (in Mr Lukashenko's case, of total union). As these new men gained power, Russia's most distinguished living dissident and author, Alexander Solzhenitsyn, was winding his way through his country by train, bringing to Moscow his long-held belief that at least the Slav states of Russia, Ukraine and Belarus should unite once more.

Mr Thomas Pickering, US ambassador to Russia, noted in a speech in the UK in July that Russians feel that "Russia is *primus inter pares* [that is, among other former Soviet states] by virtue of geography, scale, tradition and some not clearly defined right". Another "right" claimed by Russians, Mr Pickering said, derived from the country's perceived obligation to protect the interests of cousins beyond its frontiers – the millions of ethnic Russians abroad.

These two "rights" are strongly felt and strongly asserted: they are a major and inhibiting factor in the politics of the surrounding states as much as they are a matter of often chauvinistic assertion in Russia.

But, crucially, Mr Pickering added a third attribute of contemporary Russians: a "profound scepticism about direct intervention in disputes beyond Russia's current borders".

The point about Russian imperialist rhetoric is that, at present it remains as rhetoric and is almost certainly designed to be so. The projection of Russian power has shrivelled dramatically. The scale of this can be seen in the fact that, only a year or two after it ceased to be a global superpower, Russia was absorbed in a debate (overdrawn, but real) about whether or not the country would survive in one part even though its boundaries were already more limited than any time since the 18th century.

Russia no longer has the military, economic or political capacity to service any lust to reabsorb. Further – and as important – the development of nation states in those parts of the Soviet Union that have broken away is going on willy nilly. Nothing has illustrated this tendency more pointedly than recent events in Ukraine and Belarus. Both country's presidents, having been elected on pro-Russian platforms, have become committed defenders of their nations' independence.

One factor in this metamorphosis is the personal ambition of the two leaders. As one voter reminded Mr Kuchma on the campaign trail, "it is better to be president of independent Ukraine than the governor of Little Russia". But there was also a paradox at the heart of the desire for reunion, as expressed during the election campaigns. Co-existing with nostalgia across the former Soviet Union for the Soviet past, when the republics were part of a single state in which central planning provided a stagnant but reliable standard of living, is another powerful impulse: the determination by the states' governments and many ordinary people to build modern, prosperous market economies.

This second current is inevitably at odds with the first, primarily because Russia, far further along the reform trail than Ukraine or Belarus, is no longer willing to sacrifice its natural resources or to break its budget for the sake of close family ties with its neighbours. Market reform, which is naturally a decentralising process even in states which stick together, could not co-exist with immediate political and economic reunion.

The December 1991 agreement between the Belarussian, Russian and Ukrainian presidents to form the Commonwealth of Independent States (and thus finally to destroy the Soviet Union) is excoriated by many former Soviet citizens – but they must live with its results. Differing rates of economic development; the establishment of independent foreign and defence policies; the growing expectation on the part of citizens that the national, rather than the former imperial, centre is the effective locus for politics; the vested interests of new national political and bureaucratic elites – all cut against the urge for reabsorption. They make it clear that it would be a vast, costly and probably bloody undertaking.

Mr Grigory Yavlinsky, head of the Yabloko parliamentary faction in the Russian legislature and the most consistent proponent among democrats of a re-union of the former USSR, is a weathervane in this regard. While he still supports "closer economic co-operation" he now believes that the political and defence union, which he once strongly advocated, is no longer necessary.

For many countries, the independence of what had been part of them seemed incongruous at the time of separation: Ireland for the British, Finland for the Swedes, Slovakia for the Czechs. Often the larger country had a point: independence made little economic sense and left resentful national minorities within new borders. But it seems as if, once the national die is cast, the road back is blocked.

If the former "family of socialist peoples" is to meet again under a common roof, the members must spend the same time and energy as their west European neighbours in developing mechanisms and safeguards which ensure at least formal equality in their deliberations. The rhetoric of conservatives notwithstanding, the countries of the former Soviet Union seem as far away from political union as western Europe was after the second world war.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Citizens' rights strong in Russia

From Ms Maria Andruszkiewicz.

Sir, Chrystia Freeland in her article "Court backs consumer rights" (August 4) claims incorrectly that "the first legal blow in post-communist Russia for consumer rights" was delivered on August 3 1994 when a Moscow court ordered the retailer "Kvikk" to award Mr P Gusev Rbs2.318m (£574).

The Moscow Consumers' Union (MCU) caused a minor sensation in the Russian press when they won their first case in the Russian courts in 1988 on behalf of a pensioner who had been sold a faulty refrigerator.

Since then, several hundred consumers have been awarded compensation and damages in individual and class actions brought by member organisations of the Inter-Republican Confederation of Consumer Societies in Russia and Ukraine.

Exasperated Russian airline passengers were greatly cheered when the Consumer Society of Ekaterinburg's chairman sued Aeroflot after a 21-hour delay in a freezing Moscow departure lounge. The Inter-Republican Confederation is now fighting to secure compensation for the families of Russian victims of the Siberian air disaster.

The independent consumer movement in the Russian Federation is one of the most active and positive forces for citizens' rights to emerge in the post-communist era, and one of the few reliable defences against the widespread corruption, speculation and fraud which characterise the Russian economy at the present time.

While pleased that the Financial Times felt that Mr Gusev's victory merited reporting, I would like to draw attention to the fact that Mr Gusev's success is not the first of its kind. It follows many years of concerted effort by Russian consumer activists who, in Russia's present business climate, work for little remuneration and often at considerable personal risk. They deserve recognition for their attempts to civilise the "Wild East".

Maria Andruszkiewicz,
director,
programme for economies in transition,
International Organisation of Consumers Unions,
24 Highbury Crescent,
London N5 1RX

Britain needs broadband network

From Mr Jonathan Solomon.

Sir, John Harper's personal view on the UK superhighway ("Riding tandem along UK superhighway", August 12) deserves national attention.

Society at large, and most immediately within the OECD world, faces a challenge in how to reorganise itself as a necessary readjustment to the shift in comparative advantage in many industrial and commercial sectors to the Pacific Basin and Far East.

The introduction of universal broadband access is one of the essential elements facilitating such a reorganisation. It would also provide the means for the OECD world to create whole new market sectors exploiting broadband applications as yet unimagined, and this would do more to generate new and lasting employment opportunities than much on the current political agenda.

John Harper's recommendation that BT, Mercury, the cable companies and others with an interest in introducing universal broadband access join together to create a national broadband infrastructure separate from their competing service companies is very sound and has a good tradition in the history of international communications.

The carrier community is quite accustomed to joining together to build common international infrastructure, whether submarine, cable or satellite, and to compete sometimes viciously over this infrastructure for customer service. Indeed, Intelsat and Inmarsat were founded by the carrier community and their governments to share risks in introducing what was then new technology with no certain market.

Why cannot the various carriers playing in the UK market do the same to create the UK superhighway and why cannot the UK government and the industry regulator Oftel provide the necessary incentives?

This is a national question requiring full national debate.

Jonathan Solomon,
executive director,
Strategy and Corporate Business Development,
Cable & Wireless plc,
London,
WC1X 8RX

Time to call in new rail negotiators

From Mr Peter Boizot.

Sir, Following 12 days of strikes during the past 10 weeks it seems incomprehensible that Railtrack management and senior union officials cannot agree on a formula to end the dispute.

In the meantime, on strike days, business in central London is having to tolerate even greater traffic congestion than normal and to cope with staffing levels that are reduced anyway because of the holiday season.

As we are beginning to emerge from long-term recession the last thing the business community or its customers need is the aggravation of intermittent congestion, disruption and dislocation when using the road and rail systems.

What is lacking at present is good sound leadership. Therefore may I suggest that as those leading the negotiations appear to have run out of ideas, they give way to more inspired people from their management teams to bring this deplorable state of affairs to an end.

Peter Boizot,
Westminster Chamber of Commerce,
177 Regent St,
London W1R 8DJ

UK scoreboard is just a starting point for research on company R&D spend

From Mr Michael Kenward.

Sir, It may help to pass the time for Dr Alan Smith ("Flaws inherent in R&D scoreboard", August 17) and Dennis Henry ("Added value should be real value for R&D", August 1) to shoot holes in the "UK R&D Scoreboard", but they seem to miss the point.

I cannot speak for Company Reporting or the Department of Trade and Industry – I merely write the introduction to the scoreboard in an attempt to provide some light relief from the tables of data – but as a long-time consumer of such data, I see the scoreboard as a beginning rather than an end.

It is yet another source of information that an observer can use when trying to compare and contrast companies.

Alan Smith seems to say that the only thing that matters is added value. He then goes on to say that this is "not something that can be measured easily and quickly". This comes after he accuses companies of accounting for R&D in diverse ways.

Imagine the fun and games that would ensue when trying to agree a definition of added value.

The way to benchmark companies and their R&D performance is to look at their operation in depth, not at tables of numbers. The numbers can, though, be a starting point. You need them before you can ask questions about added value.

Alan Smith says that he is happy to support the R&D scoreboard if it is "going to encourage companies to spend more on R&D".

Surely the point is not to persuade companies to spend more, but to convince them that they should look intelligently at their R&D spending, perhaps with the aid of tools like the scoreboard, to see how it compares with that of others in their sector.

They might then realise that R&D is something that they can manage in the same way that they manage other aspects of their businesses.

Added value is but one way of looking at performance. Many companies look at their performance in terms of quality and "time to market" as much as added value.

They should apply the same criteria to their R&D spending.

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FINANCIAL TIMES

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Monday August 22 1994

A new deal for Cuba

The tightening of the US economic embargo on Cuba, announced this weekend, is a step in precisely the wrong direction. By further isolating its neighbour, the US is intensifying economic misery in Cuba. This will increase the flood of refugees attempting to leave the island, which will make further difficulties for the Clinton administration. It will also allow Fidel Castro to deflect blame for the country's dire economic circumstances from himself, where it belongs, to Washington.

The present exodus from Cuba should show him that fundamental change must come soon. His dictatorship of 35 years is an anachronism in a continent of elected governments. He has succeeded in extending literacy and reducing infant mortality. Yet in the absence of eastern bloc subsidies and trade, the failures of Cuba's centrally planned economy have become painfully clear. National income has almost halved during the last three years. An aid agency recently estimated that the average Cuban eats about 1,000 fewer calories per day than in 1989, pushing many towards starvation.

Hardship and repression have caused rising discontent. During recent protests, the worst in the regime's history, demonstrators chanted "freedom" and "down with Fidel".

Civil unrest

The question is no longer whether change will come to Cuba, but how. There is little cause for complacency on the part of the Clinton administration. Deteriorating conditions will produce increasing civil unrest and a worsening exodus to the US. Presumably, the US sees itself as tightening the economic noose around Castro's neck, creating the conditions for his overthrow. But given the country's lack of democratic tradition, there are no guarantees that a change of regime will mean the advent of democracy.

Already this year, more than 6,000 Cuban refugees have entered the US, twice the number in 1993. Ideological protestation aside, the US is no more interested in absorbing refugees from post-communist turmoil in the western hemisphere than is the EU in accepting refugees from eastern Europe. The White House has responded to Castro's apparent decision to let Cubans leave with a virtual blockade around Florida.

Rather than encouraging a violent outcome to the Cuban crisis, the US should end its blanket isolation of the Castro regime and offer a series of incentives for economic and political liberalisation. Cuba has taken halting and inadequate steps towards economic reform. The dollar has been reluctantly legalised, and some private enterprise is now allowed. Greater communication with the island would strengthen this liberalisation process. For example, Cuba has granted several US telecommunication companies the right to link the two countries, but they still await the Clinton administration's approval. Cold war regulations restricting Cuban journalists in the US should also be repealed.

Encouraging reformers

Reformers within the government must be encouraged. The US should end embargoes on food and medicine, and if reform continues, it should permit Cuba's entrance into the World Bank and IMF. Liberalisation needs to yield results, otherwise Castro may be able to blame the reformers for Cuba's economic misery.

US policy is unlikely to change without corresponding movement within the Cuban-American community, long the primary force behind America's uncompromising stance. Although the most powerful Cuban-American organisation, the Cuban American National Foundation (CANF), still supports the embargo, alternative voices are emerging. The newly-formed Cuban Committee for Democracy supports the recently introduced Free Trade with Cuba Act. The Clinton administration's first nominee for under-secretary for Inter-American Affairs, Afro-Cuban exile Mario Baeza, was blocked by CANF because he appeared too open to dialogue with the Castro regime.

The stand-off between Cuba and the US remains one of the cold war's most painful legacies. The past's scars, however, must not prevent a pragmatic assessment the present predicament. For Cuba, that means reforms to arrest its political and economic slide. For the US, it means encouraging that to happen.

A-levels fail the test of time

Britain's A-level examinations, increasingly regarded as a curiosity by the rest of the world, have remained untouched during the past six years, while every other aspect of the school system in England and Wales has been subjected to radical reform. The furious reaction from employers' organisations which greeted last week's A-level results will, with luck, finally convince the government that they need reform. Such reform will be at least six years too late.

The precipitate fall in the numbers taking maths and science has aroused the greatest ire among employers. The decline in both maths and physics was more than five per cent for the second year running, while the numbers with the combination of subjects needed for most university science and engineering courses has dropped by 40 per cent in a decade.

The employers who claim to be so angered by this might consider whether one explanation for the unpopularity of science degrees lies in the pay signals they themselves provide. But they are right to say that A-levels have exacerbated the problem.

By forcing 16-year-olds to choose only three subjects, A-levels entrench specialisation. They make it impossible to gain a sound grounding in the sciences without abandoning arts and the humanities altogether – a step many students are understandably reluctant to take.

Gold standard

The government's defence, that A-levels are an "educational gold standard", is weak. No system which allows 16-year-olds to drop sciences or languages altogether can be called "golden" by any standards.

However, A-levels have some features worth preserving. They are widely respected, despite the sharp improvement in pass rates of the past few years; they are rigorous; and they are independently assessed. Useful reform can be achieved without compromising any of these virtues.

Slimming A-level syllabuses so that five subjects becomes a feasible norm for each candidate offers the simplest and most effective way to do this. The level of academic rigour would remain the same in each case. Academics believe that a five A-level system could be implemented by cutting the content of each syllabus by 20 per cent, and by reforming the sixth-form timetable so that students spend more time in lessons.

Mixed economy

With five subjects, sixth-formers could maintain an interest in arts and literature while taking the mathematics and two sciences needed to keep a science degree as a viable option. It would also be easier to operate a "mixed economy" of traditional academic A-levels and vocational qualifications. The government currently hopes that students will consider taking A-levels alongside the new General National Vocational Qualification (GNVQ). Dubbed the "Vocational A-level" by former education secretary Mr John Patten, a GNVQ is intended to be equal in value to two A-levels.

The problem is that it is difficult to take the current unwieldy A-levels alongside a GNVQ. With slimmed syllabuses and five subjects as the norm, however, students could take three A-levels on top of their vocational training. A further worthwhile reform would bring vocational qualifications within the A-level framework, provided they were subjected to a similar level of rigorous external assessment as academic A-levels.

But the chief virtue of this plan is that it needs only incremental changes to the system already in place. This is far preferable to the seismic change which was involved in introducing the national curriculum.

Why has the government held back? Sheer embarrassment may be part of the problem. A five A-level system was first proposed by the Higginson report, commissioned by Mr Kenneth Baker when education secretary in 1987. It is still endorsed by universities. But the then prime minister, Mrs Thatcher, promptly rejected its findings when it was published, and it has been gathering dust for six years.

It is now plain that failure to implement the report's proposals at the time was a grievous mistake. But if the government continues to avoid taking action, it will only compound its error.

China's decision to establish a second telephone network means big opportunities for western telecommunications companies, says **Tony Walker**

A ring that sounds like profit

China's decision last month to sanction a second telephone network to compete with the state monopoly marks a radical shift in policy, and one that should bring substantial benefits to international suppliers of telecommunications equipment now crowding a market worth billions of dollars a year.

Beijing says the competing network, to be known as China United Telecommunications, or China Unicom, will help "accelerate" the development of the telecommunications sector to cope with the demands of a rapidly modernising economy whose orderly growth is being constrained by poor communications, especially to outlying regions.

The decision to open the telecommunications sector to competition followed a long and bruising debate within the Chinese bureaucracy. The Ministry of Posts and Telecommunications had fought to preserve its monopoly, but was forced to give ground to a powerful coalition of interests involving three ministries – of the railways, the electronics industry and electric power. These are China Unicom's main partners among 17 shareholders, which include several of China's main state-owned corporations.

China Unicom faces formidable obstacles, however, in "grafting" a second network on to existing facilities in spite of the significant assets brought to bear by the state bodies involved in the project. Both the Ministry of Railways and Ministry of Electric Power presently operate their own communications networks, necessitated by primitive existing telecommunications.

The Ministry of Railways, for example, owns 22,000 miles of above-ground lines, 19,000 miles of coaxial cable and 1,900 miles of optical-fibre cable. Aside from these cable facilities, the ministry, whose reach extends to most corners of China, has set up numerous microwave links plus switching capacity for 400,000 telephone lines.

Likewise, the Ministry of Electric Power owns 17,000 miles of digital microwave links. "All of these private networks have spare capacity which could be made available to the public," says Mr He Fei Chang, director of telecommunications at the Ministry of Electronics, one of China Unicom's partners.

China's need for a crash programme to modernise its telecommunications has not been in doubt for years, but the best means of achieving a more rapid extension of services has been the subject of endless debate since the 1980s. Then it became clear that, unless huge investment was made, the system would continue to fall far short of China's requirements well into the next century.

This debate was sharpened by the publication in 1992 of a comprehensive World Bank study of China's telecommunications sector* which found that the country's telephone system is "among the least developed in Asia relative to population size, and service quality is low".

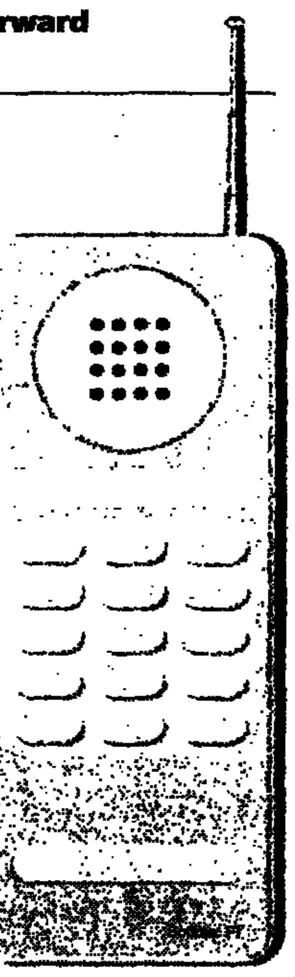
It reported: "Public telephones are virtually non-existent. Networks are heavily congested, making it almost impossible to communicate by telephone during peak business hours. Long delays are experienced in long-distance telephone calls ... While some of the world's most advanced technologies are being introduced in the fastest-growing parts of the network, old and obsolete plant is still widespread."

Among the World Bank's main themes was the need for competition. But at that stage the bank did not envisage anything as ambitious as building a second network. Such a bold move would not, in any case, have been possible before China embarked on the latest, accelerated phase of economic reform heralded by a visit to southern China in early 1992 by Mr Deng Xiaoping, the country's senior leader.

Mr Deng, known for his earthiness, gave a simple instruction to local officials, which then became a slogan throughout China. "Do it faster," he is reported to have said in reference to the need for a quickening of China's economic growth. Since then China's economy has recorded growth rates exceeding 13 per cent a year and investment in telecommunications has risen sharply. Indeed, the Ministry of Posts and Telecommunications, which is due to spend Yn53.6bn ($6.23bn) on telecommunications this year, achieved its planning targets for the current five-year plan (1991-1995) by 1993, two years ahead of schedule.

China's telecommunications: the great leap forward

COMPANY	PROJECTS	INVESTMENT
Motorola	Two joint ventures: cellular phones, paging systems, semi conductors	$250m ($300m by end 1994)
AT&T	Nine joint ventures: optical fibre cables, switching gear, transmission equipment	$150m (planned investment next two years)
Ericsson	Five joint ventures: PABXs, cellular systems	$100m
Northern Telecom	Four joint ventures: PABXs, transmission lines, cellular phones	$100m (additional planned investment $180m next two years)
Alcatel	Five joint ventures: switching equipment, optical fibre, PABXs	$100m
Siemens	Six joint ventures: PABXs, switching gear, transmission equipment	$60m
NEC	Six joint ventures: semi conductors, cellular phones, switching equipment	$60m
GPT	One joint venture: PABXs	N.A.
Fujitsu	3 joint ventures: switching systems, transmission equipment, communications software	$10m



Yet, for all the increase in expenditure and the fairly impressive spread of services in coastal areas and larger cities, including dramatic improvements in line quality, China's average national penetration rate (telephones per 100 persons) hovers around a minuscule 2.5 per cent. This compares with rates of 60 per cent in most developed countries.

'Networks are heavily congested, making it almost impossible to communicate by telephone during peak business hours'

China plans to increase the number of telephone lines from the present 30m to 110m by 2000, involving expenditure of Yn450bn and including some $7bn in loans from abroad. This would provide a penetration rate of 8 per cent, still low by international standards and those of its Asian neighbours, though it would represent a big leap for China. Western telecommunications experts say the magnitude of the task can be gauged from the fact that, if China holds to its plans of installing between 10m and 11m lines a year for the rest of the century, this would be equivalent to installing Britain's telephone network every three years.

Among China's many difficulties in bridging the gulf between supply and demand is one of distribution. While the official figure for existing capacity is 30m lines, only about 17m have actually been connected, according to some western estimates. "It's one thing to install switching equipment; it's quite another to get a line to a house or a factory," says a western telecommunications expert in Beijing.

The huge technical and logistical problems involved in extending a telephone network throughout China with its 1.2bn people and thousands of cities, towns and hamlets is the main reason why powerful figures in the leadership backed the establishment of Unicom. Such a gargantuan task is simply beyond the capacity of a single organisation. Both Mr Zhu Rongji, the senior vice-premier in charge of the economy, and Mr Zou Jiahua, a vice-premier responsible for the telecommunications sector, are solidly behind the Unicom proposal.

One of the most telling arguments in favour of promoting competition was that it would vastly improve access to telephones by communities in more remote areas, and thus help to slow the widening economic and social gap between coastal regions and the hinterland. The Ministry of Railways, for example, with its extensive existing network could deliver services in far-flung areas like Yunnan in the south west and Xinjiang in the west.

Competition, the authorities say, would also help to reduce the cost of telecommunications services which are among the most expensive in the world. Installation fees in the cities are running at about Yn6,000 and in rural areas at Yn3,000. This is three to four times the cost of a phone installation in the UK, and perhaps as much as eight times that in the US.

While Chinese officials say they are keen to promote telecommunications competition, they are also making it clear this will not extend to allowing foreign participation in the operation of networks for the foreseeable future. Indeed Vice-Premier Zou, announcing the decision to allow a second network, stressed that China Unicom was a pilot project and that no other corporations would be authorised to operate telecommunications services. Foreigners would be restricted to supplying equipment and technical advice to the new network and possibly taking some form of equity participation at a future date.

China Unicom's plans for the rest of this century are ambitious. They include providing 12m new lines

In spite of the looming threat from Unicom, telecommunication ministry officials are seeking to put the best face on the loss of their monopoly, insisting competition is in the interests of all. But there is also no doubt they are apprehensive about the practicalities of making the new dual system work. Not least among the ministry's concerns are the technical difficulties involved in achieving an interface between parallel networks.

Unicom will be obliged to piggy-back on the existing system run by the telecommunications ministry in much the same way as the new Optus network in Australia is joined to the state-owned system.

Other ministry concerns include regulating competition in a new, more free-wheeling telecommunications sector – it is both regulator and provider through its subsidiaries – in the absence of a telecommunications law (one is still in the drafting stage). Officials also anticipate problems over sharing scarce resources such as technical staff.

Mr Xu Shanyan, the telecommunications ministry's chief spokesman, describes these as "unresolved issues" and says they will require careful study and discussion in the implementation phase.

Since Unicom will depend heavily on the telecommunications ministry in the start-up phase, officials of the new network are careful to stress their desire to avoid duplication and keep competition within limits.

Mr Zhao Weichen, chairman of Unicom, says the network will "engage in wide-ranging co-operation and co-development" by adhering to what he described as a policy of "five expansions". These include an expansion of co-operation with domestic and international networks "within the scope permitted by Chinese government policy".

But western observers are sceptical about declarations that the new network will not engage in fierce competition. "China Unicom is meant to restrict its activities and not to compete directly with the telecommunications ministry, but in practice they will obviously compete," says a representative of a Western telecommunications corporation.

China Unicom's plans are certainly ambitious. Its development targets for the rest of this century include providing 12m new lines, which will increase the nation-wide telephone penetration rate by 1 percentage point; and acquiring a 10 per cent share of national and international trunk traffic plus 30 per cent of the mobile telephone market with services in more than 100 cities.

The new network also plans to develop the manufacturing capacity of the Ministry of Electronics Industry, one of its three founding partners. This will bring the electronics ministry into direct competition with the telecommunications ministry, whose subsidiaries are heavily engaged in foreign joint ventures manufacturing telecommunications equipment, including switching gear and optical fibre cable.

Recent reports of a glut in the supply of optical fibre cable due to excess manufacturing capacity should cause some hesitation among prospective new entrants in what is becoming a highly competitive market. But all the signs are that the world's telecommunications giants are pursuing the China market as if the question is not whether they can afford to be participants but whether they can afford *not* to be.

Without exception, companies such as AT&T and Motorola of the US, Alcatel of France, Northern Telecom of Canada, Siemens of Germany, Ericsson of Sweden, NEC and Fujitsu of Japan, Nokia of Finland, and GPT, the UK-based supplier, are engaged in joint ventures in China. The advent of a second network – which will vastly increase demand for all manner of equipment including switching gear, transmission lines, communications software and cellular phones – could hardly have come at a more advantageous moment for the world's big telecommunications manufacturers.

Mr Chisun Lai, Motorola's chief representative in Beijing, summed up the favourable industry view when he said of the decision to sanction a second network: "What China has done is help speed up the market development of the telecommunications industry with additional operators and networks. This is certainly positive for the industry and positive for companies involved in that industry."

**People's Republic of China Telecommunications Sector Study: Survey, Assessment and Strategy Recommendations. World Bank, February 1992*

OBSERVER

Like father, like son?

■ James Packer, Cameron O'Reilly and now Lachlan Murdoch. One by one the next generation of media tycoons are being tested out quietly in various parts of their families' Australian newspaper businesses.

When Rupert Murdoch took the helm of the struggling Adelaide News in 1953 few would have predicted that he would end up far more powerful than his late father, Sir Keith Murdoch. The same goes for Kerry Packer who inherited Consolidated Press from Sir Frank Packer. Despite being a ferocious gambler, he is now Australia's richest man and few dare cross him.

Will James Packer, or Lachlan Murdoch, out-shine their fathers? Cameron O'Reilly, 29, who runs Tony O'Reilly's Australian Provincial Newspapers, has the least downside risk. His father is a recent entrant to the media game and has yet to make his mark. Jamie Packer, 26, has an advantage in that he is Kerry Packer's only son and heir to a fortune estimated at $2.3bn. However, the speed with which young Warwick Fairfax lost his family business shows what can happen to prodigal sons.

Princeton-educated Lachlan Murdoch, 22, who starts today as general manager of Queensland Newspapers, is not the first Murdoch offspring in the family business. Elisabeth, 26, his elder sister, runs a couple of TV stations in the US, and another brother, James, 21, is still at Harvard.

However, Lachlan has been put to work in a part of the group which has always been close to the heart of his father and grand-father, and he will be watched over by Ken Cowley, one of Rupert Murdoch's most trusted lieutenants.

Which of the three will stay the course, let alone win the race to inherit their families' growing media empires, is anybody's guess. But it will be fun to watch.

Word perfect

■ Spare a thought for Alex Ibru, who publishes the Guardian, Nigeria's leading newspaper. Its independent liberal stance has annoyed General Abacha's military regime and last week it was closed.

This leaves the affable Ibru in an awkward spot since he doubles up as Nigeria's minister of the interior. It is not easy to resign from a military regime and there is not much point in trying to sell the Guardian as long as its presses are silent. Suggestions on a post-card, please, to Alex Ibru, c/o Guardian Newspapers, Rutam House, Lagos.

Duty calls

■ Is Sir Paul Newall, the globe-trotting Lord Mayor of London, trying to set some sort of world record? After mayoral trips to Japan, South Korea, Saudi Arabia and Hungary, he is sneaking in a grand tour of the US and Canada, before planned visits to Muscat, Jordan, Kuwait and Strasbourg.

'I have this recurring dream where I wait all day for the 8.15 to Euston and then my trousers fall down'

If he goes on like this the City Corporation might have to invest in a corporate jet to cut down on the cost of flying him and his entourage around the world. His latest trip is no sun-seeking sojourn, however, given the 13-city, 20-day itinerary planned to promote Britain and the City and to encourage bilateral trade and investment.

He enjoys banging the drum and wishes more would join in. Having finally got his knighthood, a lesser figure might have eased up a bit so that he could enjoy entertaining at home in the Mansion House. Not so, Sir Paul. Let's hope his successor is as diligent.

Potted shrimp

■ Good news for barbecue-owners. The Minneapolis Grain Exchange is planning to launch a black tiger shrimp futures contract later this year. When used in conjunction with an existing contract on white shrimp, it should now be possible to buy and sell contracts covering around 90 per cent of world's shrimps. With 300 investors playing the white shrimp contract, it seems only a matter of time before some big fish start chasing up the black tiger shrimps.

Ba black sheep

■ Excitement is running high among dealers at the Frankfurt stock exchange – and not solely on account of the D-Mark's gyrations. The fuss concerns a broker who is retiring – and his would-be replacement, August Schäfer.

Schäfer is the state commissioner responsible for supervising the bourse. With the new financial supervisory laws, he has more or less regulated himself out of a job and is looking for pastures new.

However, potential future colleagues reckon that the aptly named Schäfer (meaning shepherd) knows a mite too much about them and their ways to be a suitable member of their flock. For his part, Schäfer claims his second name is discretion and insists on pressing his case.

But why is he so eager? Does he not appreciate that, given his provenance from the old school of toothless watchdogs, those bleaters on the floor will eat him alive?

Mail chauvinist

■ Britain's Royal Mail is already starting to behave as if it has been privatised judging by the latest edition of its Royal Mail International Business Travel Guide.

Not only is Ireland portrayed as a more enthusiastic member of the European Union than Britain, but the guide also criticises the British government's efforts to settle the 25-year-old troubles. It notes that in the autumn of 1993, a new initiative jointly presented by the moderate nationalist SDLP and the republican Sinn Fein seemed to offer "at least the possibility of a settlement". That said, the attitude of the British government is described as "unpromising".

Testing

■ What is the true reason for drive-in banks?
So that the cars can meet their real owners.

FINANCIAL TIMES
Monday August 22 1994

Surge in capital spending a 'warning signal'

China tightens credit to curb inflation threat

By Tony Walker in Beijing

China will clamp down on lending for capital spending, following the release of figures that showed an alarming 73 per cent rise in fixed asset investment in July compared with the same month last year.

Central bank officials have made clear that credit ceilings would be tightened in the third quarter after an easing in the past few months to accommodate the demands of state enterprises for working capital.

Mr Zhou Zhengqing, a deputy governor of the People's Bank, was quoted as saying that "banks must strictly adhere to credit ceilings in order to control lending for fixed asset investments".

Beijing has announced that it will review all new capital spending projects under the state plan, and those that "do not enjoy good prospects" will be cancelled.

The official Xinhua news agency quoted government officials as emphasising the need to "check excessive capital construction in order to avoid economic disorder".

Government attempts to curb fixed asset investment by state enterprises reflects continuing concern over inflation, which began to climb again in June and July after falling back in previous months.

Consumer prices in China's 35 main cities rose by 22.7 per cent in July compared with the same month last year. This was the same as the June figure, but was higher than May.

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The authorities blamed a capital spending binge last year for inflationary pressures. A stabilisation plan, introduced in July 1993, was aimed at calming an overheating economy and curbing investment in fixed assets.

A western economist in Beijing described July's capital spending surge as a "warning signal", while cautioning against reading too much into one month's statistics.

But senior Chinese officials, including Mr Zhu Rongji, senior vice-premier in charge of the economy, who have been meeting at the beach resort of Beidaihe near Beijing to review economic developments, are clearly concerned about latest trends.

Central bank officials said that among targets in the latest crackdown on unauthorised lending would be illegal interbank transactions. Non-bank financial institutions would also come under greater scrutiny.

Adding to official concern is the fact that capital spending normally grows faster in the second half of the year, with the third quarter the peak period for starting new projects.

Chinese economists attributed the jump in capital spending in July to projects launched by state enterprises whose financial position had improved.

It also reflected the fact that the government has appropriated more funds for infrastructure. It has earmarked Yn520bn ($60bn) for capital spending in its credit plan this year. By the end of June, Yn175bn had been spent.

Moscow warns on latest MMM investment offering

By Chrystia Freeland in Moscow

The Russian government warned yesterday of the dangers facing potential investors in what promises to be a "second act" of the MMM investment fund crisis.

The controversial financial pyramid scheme, which appeared to be about to collapse after a raid by tax police earlier this month, has announced that it will reopen its offices today and offer new "MMM tickets" for sale.

The ministry of finance, which has been fiercely criticised for failing to stop the sale of MMM shares earlier this year, issued a strong warning about the new, heavily advertised "tickets".

The government is also stepping up its campaign against similar schemes throughout the country.

The original MMM share scheme, which attracted more than 1m investors, collapsed earlier in the summer and police have arrested the fund's founder, Mr Sergei Mavrodi.

The ministry said yesterday that the fund's new "tickets" had no official status as stocks. Investors in the tickets "should not expect to receive any revenues".

Potential investors were warned that merely purchasing a stock did not entitle them to shareholder rights. To enjoy full rights as a share owner, the ministry cautioned, a stock must be formally registered at an independent stock-registry office.

This warning indicates that Russia's byzantine financial regulations, which have proved confusing to many sophisticated western investors, could be part of the reason why so many Russians have been seduced by the simple sales pitches of the investment funds.

As the MMM fund, described by authorities as a "classic pyramid operation", prepared for what could be a remarkable resurrection, the government intensified its attack on a central Russian fund, Russki Dom Selenga, whose operations were frozen last week. At the weekend, tax police seized Rbs13bn ($6.20m) in cash from the fund's branch in the Urals city of Ufa.

Popular rage over failing investment schemes is mounting. At the weekend, according to Moscow radio, disgruntled investors in Russki Dom Selenga – which, company officials say, has more than 1.5m participants – smashed the windows of a branch in the Siberian city of Cheliabinsk.

The popularity of pyramid-style funds, which promise swift returns, presents a dilemma for the Russian government which hopes to encourage capital markets but fears a public backlash if capitalism is seen to bring impoverishment rather than prosperity. Legitimate stockbrokers worry that the government will also turn its new interventionist zeal to the booming stock market.

Clinton steps up pressure on Castro

By James Harding in Miami

The Clinton administration further refined its Cuba policy over the weekend, announcing a tighter trade embargo against Havana and holding out the possibility of imposing a full blockade. The tougher measures against President Fidel Castro's Cuba follow Friday's announcement that the hundreds of Cubans fleeing to the US would be barred entry to the US and detained at the US base at Guantanamo Bay, Cuba.

With attention shifting away from the refugee problem and falling on the government's agenda to oust Castro, Mr Leon Panetta, the White House chief of staff, yesterday said imposing a blockade on Cuba was not out of the question.

"That's obviously one of the options that we would look at in the future as we see whether or not Castro begins to make some legitimate movements toward democracy," Mr Panetta said.

Mr Panetta said the US was committed to fostering democracy in Cuba as well as to ending the wave of illegal emigration to Florida by flimsy boats, rafts and inner tubes.

"At the same time, we've got to continue to put pressure on Castro because the problem here is not the problem with refugees, not the problem with migrants. It's the problems within the Castro regime. That's what's causing this."

His statement followed a tightening of the trade embargo late on Friday night, when the administration announced a ban on cash transfers by US residents to Cubans and new restrictions on charter flights from Miami to Cuba.

Mr Newt Gingrich, the Republican House minority whip, however, yesterday accused Mr Clinton of failing to flesh out his Cuba policy. "This administration has a passion for taking one or two steps without working out what the rest of the trip is," he said, calling on Mr Clinton to look for a smooth transition to democracy in Cuba.

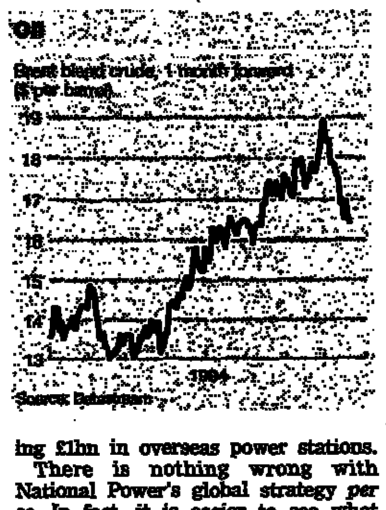
The change in US policy to Cuban refugees did little to deter further attempts to cross the Florida Strait. The Florida coast guard picked up a record 1,189 people on Saturday, the highest total in one day this year.

Fretting about Fidel, Page 3
Editorial Comment, Page 11

THE LEX COLUMN

Nigeria's crude truths

The oil market is taking a fairly sanguine view about Nigeria. The Brent crude price, which shot up to $19 a barrel at the start of the month when worries about the oil workers' strike were at their peak, has fallen back below $17. Traders are heartened by the fact that the strike has cut Nigerian supply by only about 20 per cent. With the political crisis in Nigeria worsening, such an analysis may look complacent. In the worst case, the ethnic rivalry now being stoked up between the Yoruba tribe from the south and the Hausas from the north could spill over into civil war. Even if this can be avoided, the negotiating positions of General Sani Abacha and Chief Moshood Abiola are so entrenched that an early resolution of the conflict is unlikely.



Nevertheless, there is hard-nosed realism in the oil market's analysis. So far the strikers have been treated relatively leniently. But so dependent is Gen Abacha's regime on oil revenues that stepped-up strike action is likely to provoke tougher measures to keep the oil flowing. And the government's ability to achieve this should not be doubted. Angola, which managed to expand oil production sharply during its civil war, is a telling parallel.

Further supply shocks in Nigeria would of course affect crude prices but a bigger determinant is likely to be what happens to world oil demand. After signs that US demand was flagging in July, the latest figures show it picking up. If the stronger economic growth in continental Europe spills over into oil demand, Brent could push up to $19 again.

UK generators

PowerGen has firmly established itself as the shareholders' darling among Britain's generators. Though its shares and National Power's were sold at the same price in 1991, PowerGen's are now trading at a 15 per cent premium. Only last April, its larger rival held a slight edge.

National Power seeks to blame the discrepancy on the companies' different starting points at privatisation. Differences there undoubtedly were – PowerGen has, for example, had to spend less than expected on cleaning up its coal-fired stations.

But it would be hard to attribute all or even most of the share price divergence to something that dates back so long. A better explanation is that National Power has worried shareholders with its ambitions for investing £1bn in overseas power stations.

There is nothing wrong with National Power's global strategy *per se*. In fact, it is easier to see what value National Power adds to generating projects in the developing world than what PowerGen brings to its investments in North Sea gas. The snag is that the strategy will take a long time to develop and, in the meantime, National Power is generating cash at a prodigious rate. The danger is that, with so much cash coming in, management will adopt a less discriminating approach to foreign investment. Shareholders would feel more comfortable if the company followed PowerGen's recent example of buying back its own shares. National Power would still have no trouble financing worthwhile projects and should see the gap between its share price and PowerGen's narrowing.

Pharmaceuticals

Equity markets now view pharmaceuticals companies as either predators or prey. Among those most likely to make a strategic acquisition, Glaxo has barely kept pace with the UK market during the past few months. Yet Wellcome has outperformed by 45 per cent since the end of April, when Roche made its agreed bid for Syntex, fuelled by speculation that it might attract similar interest. In the US, Eli Lilley and Marion Merrell Dow are among the possible targets.

Consolidation certainly looks overdue. The world's top 10 drugs companies account for less than one-third of industry sales. Such fragmentation suggests that healthcare buyers and shareholders are supporting excessive overheads. The large premium paid by Roche – and by American Home Products in its unsolicited bid for American Cyanamid – only makes sense if cost savings can be achieved. Similar efficiencies across the industry would help protect margins at a time when drugs prices are falling.

The worry is that organisations that rely on scientific and marketing flair do not react well to rough restructuring. Neither are most drug company managements proven in the area of takeovers. The most rational solution would be a second wave of agreed mergers, like those which created SmithKline Beecham and Bristol Myers Squibb. Such combinations could deliver the same benefits as takeovers in terms of efficiency with fewer risks. The snag is that the instant gratification priced into the shares of many drug companies would have to be foregone.

Gilts

Sometimes there is no pleasing the gilts market. Last week was packed with good news but prices ended almost unchanged. The better than expected retail price inflation figures received a small round of applause and the US interest rate increase was welcomed. The Bank of England also obliged by saying that, following the good public sector borrowing figures, there would not be a gilts auction this month. But all was drowned out by the Bundesbank's decision to hold its interest rates unchanged.

Gilts were particularly vulnerable to the ensuing disappointment because the yield spread compared with German bunds had narrowed significantly this month. It had dropped from around 180 basis points to 150, but ended the week at its recent average of 165. With volumes thin at the moment, the relapse reflected only a handful of trades.

The excellent outlook for UK inflation and interest rates would seem to justify a reduction in the spread, though not to the 40 basis points gap that prevailed at the end of January. But the German institutions that were prominent in selling gilts last week are probably more concerned about renewed sterling risk. Concern that German interest rates are at or near their bottom also unnerved bunds and had a knock-on effect on gilts. Meanwhile, the prospect of a surge in supply of bunds hung over the market: the German government has raised only a net 10 per cent of its funding requirement so far this year. The spread against bunds may have to narrow just for gilts to stand still.

Criticism aimed at Mexico's 'clean' elections

Continued from Page 1

would "not undertake immediate offensive armed action in case of electoral fraud and [would] support all peaceful means in the fight for democracy, liberty and justice". Previously, it warned of an end to a ceasefire with the government if it decided that the PRI resorted to fraud.

Early voting appeared peaceful, although many polling stations in and around Mexico City opened late. Some 45.8m people were eligible to vote in 95,415 polling stations. Apart from the president, 96 senators and 500 deputies for the lower house were being elected.

In Juitepec, in the state of Morelos, citizen observers, foreign visitors, members of the opposition parties and representatives of the electoral institute which is overseeing the election watched the voting near the main square. In spite of the presence of the observers, there remained some scepticism: "At the top, they comply with the laws but below things remain the same," said Mr Rubén Herrera, a 65-year-old worker waiting to vote. "Since I voted there has never been a clean election."

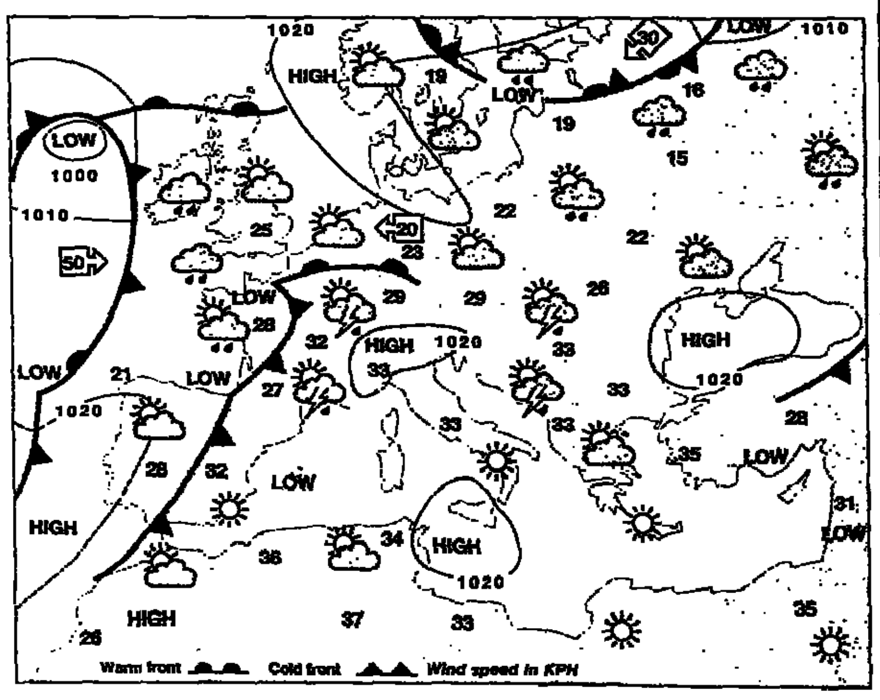
FT WEATHER GUIDE

Europe today

Low pressure systems from the Atlantic will introduce autumnal conditions to western parts of the British Isles, with much rain and wind. The Low Countries will become warmer with temperatures between 20C and 25C. Southern France will have tropical temperatures. Low pressure over western France will trigger thunder storms over a broad area to the east. Alpine regions will continue unstable, leading to rapidly developing thunder storms. All southern Europe will stay mainly sunny and dry but much of northern and eastern Europe will be unsettled with rain, showers and relatively low temperatures.

Five-day forecast

A low pressure system and associated cold air will lead to unsettled conditions with widespread thunder storms. High pressure between Iceland and Norway will bring more settled conditions to western Scandinavia. Southern Europe will remain sunny and warm but northern Italy will have an increasing chance of thunder storms.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	43
Accra	thund	29
Algiers	sun	36
Amsterdam	fair	23
Athens	sun	34
Atlanta	sun	33
B. Aires	fair	18
B.ham	shower	24
Bangkok	shower	33
Barcelona	sun	30
Beijing	fair	32
Belfast	rain	20
Belgrade	fair	33
Berlin	fair	23
Bermuda	shower	33
Bogota	cloudy	18
Bombay	cloudy	32
Brussels	thund	25
Budapest	fair	31
C.hagen	fair	19
Cairo	sun	35
Cape Town	fair	16
Caracas	fair	26
Cardiff	shower	23
Casablanca	fair	26
Chicago	fair	25
Cologne	fair	26
Dakar	fair	30
Dallas	fair	34
Delhi	fair	32
Dubai	sun	42
Dublin	rain	20
Dubrovnik	sun	32
Edinburgh	shower	19
Faro	sun	26
Frankfurt	fair	29
Geneva	thund	30
Gibraltar	sun	30
Glasgow	shower	21
Hamburg	fair	22
Helsinki	rain	17
Hong Kong	sun	33
Honolulu	cloudy	33
Istanbul	sun	30
Jakarta	fair	32
Jersey	shower	21
Karachi	cloudy	34
Kuwait	sun	47
L. Angeles	sun	28
Las Palmas	fair	27
Lima	cloudy	20
Lisbon	fair	22
London	fair	26
Lux.bourg	thund	26
Lyon	thund	32
Madeira	sun	27
Madrid	sun	32
Majorca	sun	35
Malta	sun	33
Manchester	shower	23
Manila	cloudy	33
Melbourne	shower	11
Mexico City	fair	23
Miami	fair	34
Milan	thund	33
Montreal	fair	21
Moscow	rain	16
Munich	fair	28
Nairobi	cloudy	27
Naples	sun	33
Nassau	fair	33
New York	cloudy	25
Nice	fair	28
Nicosia	sun	36
Oslo	shower	21
Paris	fair	28
Perth	fair	22
Prague	fair	26
Rangoon	cloudy	29
Reykjavik	fair	12
Rio	fair	25
Rome	sun	32
S. Frsco	sun	22
Seoul	sun	32
Singapore	cloudy	29
Stockholm	shower	16
Strasbourg	fair	30
Sydney	rain	15
Tangier	sun	27
Tel Aviv	sun	34
Tokyo	fair	31
Toronto	fair	23
Vancouver	rain	20
Venice	shower	31
Vienna	fair	30
Warsaw	fair	22
Washington	cloudy	30
Wellington	fair	12
Winnipeg	thund	28
Zurich	shower	28

FINANCIAL TIMES
COMPANIES & MARKETS

Monday August 22 1994

MARKETS THIS WEEK

GERARD BAKER:
GLOBAL INVESTOR
The torpor induced by Japan's hot summer seems to have left the stock market becalmed. Since the end of June, the Nikkei has traded in an exceptionally narrow range between 20,000 and 21,000. Share prices surged in the first half of the year, but that momentum has been lost as profit-taking has set in. **Page 17**

STEPHANIE FLANDERS:
ECONOMICS NOTEBOOK
Human capital investment may be everybody's favourite economic cure-all, but applying the prescription to the UK seems an increasingly thankless task. Attacked from all sides, the government's training policy is partly the victim of a longstanding ambivalence about the state's role which has yet to be resolved. **Page 17**

BONDS:
The Bundesbank returned from its four-week summer vacation to a rise of some 40 basis points in 10-year bund yields to more than 7.2 per cent and a market teetering on the brink of a nervous breakdown at the prospect of a sudden rise in German interest rates. **Page 18**

EQUITIES:
The Federal Reserve appears to have further clouded the outlook for equities as the summer draws to an end, while in the UK, the mood of the stock market appears likely to remain gloomy this week, surprisingly so in view of the relatively favourable news on inflation and interest rate prospects. **Page 19**

EMERGING MARKETS:
Investors that have stuck with Chile have been rewarded by dollar returns in the first eight months of 1994 of about 25 per cent, after 50 per cent gains last year. **Page 19**

CURRENCIES:
Traders are likely in the days ahead to test the downside for the dollar after the US currency's weak showing last week. **Page 19**

COMMODITIES:
Zimbabwe's biggest foreign investment project since independence, the US$200m Hartley platinum joint venture, will be given the final go-ahead on Wednesday when the minister of mines formally signs the special mining lease and mining agreement on behalf of the government. **Page 17**

INTERNATIONAL COMPANIES:
Aga, the Swedish industrial gas group, has reported profits after financial items up 11 per cent in the first half, to SKr785m ($99.5m) from SKr709m. **Page 15**

UK COMPANIES:
Servisair, Europe's largest aircraft and passenger handling company, is to come to the stock market in October valued at more than £50m ($77m). **Page 14**

STATISTICS

Israeli shares fall 10% on tax fears

By Julian Ozanne in Jerusalem

Israel's stock market slid almost 10 per cent yesterday amid frantic trading by investors nervous about a proposed new tax on share profits. At the close of trading the benchmark Mishtanim index of the top 100 blue chip companies had fallen 18.22 points, or 9.93 per cent, to 165.18. Many smaller stocks on the Karam index fell 15-20 per cent.

The Tel Aviv Stock Exchange suspended a rule which allows for a halt to normal trading if shares in any company fluctuate more than 10 per cent in a day. Trading was also extended beyond the normal closing time.

Officials said these exceptional moves were taken to encourage a once-off "definitive readjustment", and to allow the market to establish an equilibrium.

Analysts said the record wave of selling worth about Shk600m ($198m) was the worst single day for the market since the banks shares collapse of 1983. They believe the market panicked after the Treasury closed the exchange for two days last week and announced a 10 per cent capital gains tax of share profits from next January 1.

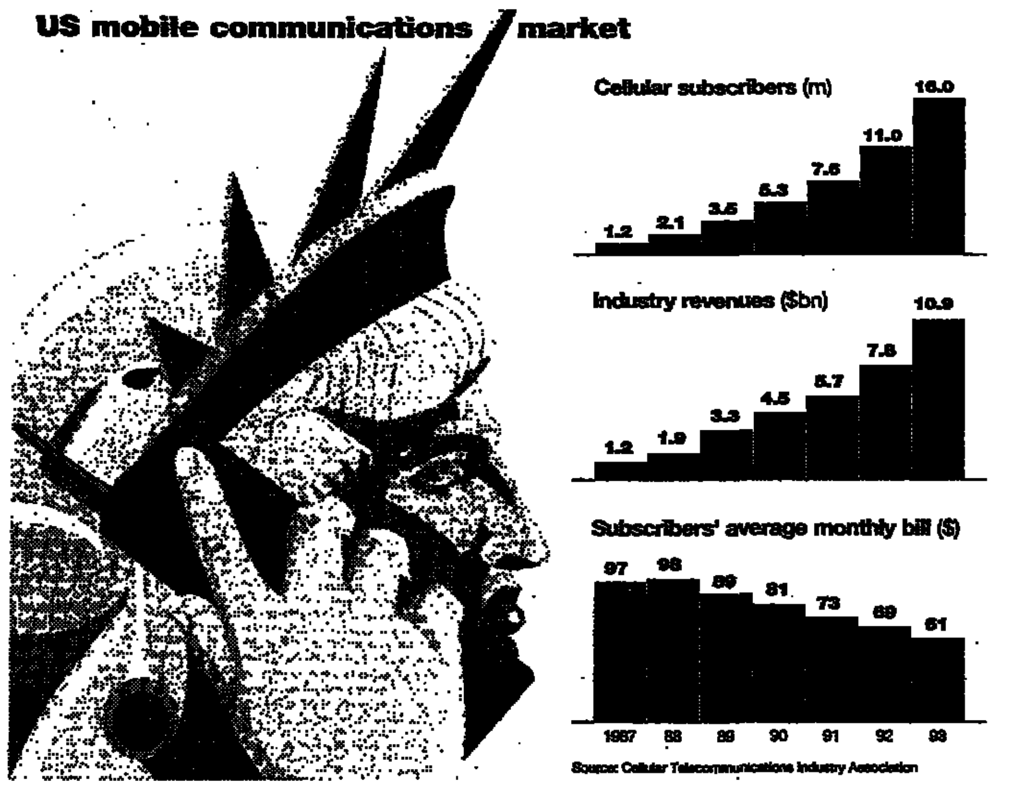
Although the cabinet modified the proposal yesterday allowing investors to offset some of the tax against losses, market experts said investors were still jittery and expected the effective rate of taxation to be around 18 per cent.

Mr David Rosenberg, a market analyst at Pacific Mediterranean Investments, said the assumption before yesterday's trading was that the market would be discounted by 10 per cent – the face value of the new tax. But he predicted further declines this week as investors assessed the effective rate of tax they would have to pay. "It is true that there has been panic, heavy trading and mutual fund redemptions today but so far the effects have been at the more positive or low side of expectations," he said. "Hopefully we have seen the major technical correction and further declines won't be substantial."

Before yesterday the market had fallen 25 per cent this year from its peak of 256 points in January because of poor company results, higher than expected inflation, interest rate rises and a clean-up campaign by the Securities Authority which resulted in several arrests. Fears about inflation, currently about 14 per cent, and another rise in interest rates could further depress the market.

The race is one to win a prize from the boom in US mobile communications, writes **Patrick Harverson**

Hearing an explosion on the grapevine



The contestants are only now beginning to hit full stride in the race to become a dominant player in the booming US mobile communications market.

A variety of billion-dollar deals have been negotiated between cellular phone operators and telecoms companies in an intense period of consolidation for the US wireless communications business, which embraces mobile phones, two-way pagers and messagers, portable fax machines and hand-held computers.

The holy grail of the cellular business is to achieve national coverage because the potential for growth in what is still a relatively young market is huge. Of the 16m or so subscribers, most are business users who can afford the present high costs. The challenge for cellular companies is to build a nationwide network providing ordinary consumers with a high-quality, low-cost product.

Mr Ronald Altman, an analyst at New York securities house Furman Selz, estimates that a decade from now there could be 100m cellular subscribers in the US. Hence the frantic search for partners as companies try to build their competitive muscle.

Since early July, two regional "Baby Bell" phone companies, Bell Atlantic and Nynex, have decided to unite their cellular operations, another Baby Bell – US West – has agreed to merge its cellular interests with AirTouch Communications, and Nextel Communications, a mobile radio dispatch company, has spent $2.4bn acquiring a rival, Dial Page, and the mobile radio assets of Motorola.

Several companies have also set out to broaden existing alliances. US West has held talks with Time Warner, the entertainment group, and the Chicago-based Baby Bell, Ameritech, has been talking to AirTouch, US West, Bell Atlantic and Nynex, among others.

The rush to form or join cellular consortia comes less than a year after AT&T's move to buy McCaw Cellular Communications for $12.6bn. The union of the long-distance telephone giant with the country's leading cellular carrier, approved by federal regulators last month, endorses the potential of the cellular communications industry in the US and helped to drive regional phone companies and cellular carriers into each others' arms as they realise that they stand a better chance of competing with AT&T-McCaw if they join forces with one another.

The ultimate objective behind the mergers and alliances is to create nationwide cellular networks that will allow subscribers relatively cheap and easy access to a wide range of wireless communications services wherever they are in the country.

Since the mid-1980s, when the government broke up AT&T and divided the national cellular market into regions, each with a Baby Bell and an independent carrier, the cellular business has been fragmented. Although special "roaming" arrangements between carriers allow subscribers to use their phones outside their home region, the costs are passed on in roaming fees. Consequently, the company or consortium which creates a national network will have the chance to provide customers with a much better service.

The prize will be a bigger slice of a rapidly growing market. By the end of last year, 16m people were subscribers to cellular phone services in the US, with 14,000 new customers signing up every day. EMCI, the Washington-based communications consultancy, estimates the total will reach 20m by the end of this year. They and other analysts believe that the 25 per cent growth rate could accelerate into 1995 and 1996.

Industry consolidation is also being driven by the emergence of a new system of radio telephony called personal communications services, such as advanced paging, messaging, phone, fax and data services. PCS – which relies on digital, as opposed to lower-capacity analogue technology – will offer a better service than is now available on cellular phones, which have been plagued by customer dissatisfaction with quality and cost.

The PCS era will begin in earnest this October when the US government auctions licences to broadband PCS networks. If the recent auction of the narrowband PCS licences – for less sophisticated services such as paging and messaging – is anything to go by, demand for the broadband licences will be brisk. The 10 narrowband licences were sold for $617m. Analysts estimate that the much larger auction of broadband PCS licences could enrich federal coffers by $10bn, or more. Companies have been rushing to forge alliances ahead of these auctions, so that they know where they need broadband licences to complement their existing coverage.

Mr Ronald Altman, an analyst at New York securities house Furman Selz, explains: "The more existing properties you can put together, the less additional PCS franchises you will have to bid for to be able to provide national coverage. Therefore, you are going to see a mad scramble to get as big a footprint as possible by the existing cellular operators, so that they can focus on bidding for those PCS franchises that will round out national coverage." This helps explain why, as Mr Altman says: "The level of discussion activity right now is off the charts."

Lac's last line of defence removed

By Bernard Simon in Toronto

Lac Minerals, the Canadian mining group which is the target of two unwelcome takeover offers, will be forced to dissolve its protection plan, or poison pill, if either of the bids is accepted by its shareholders.

The Ontario Securities Commission said after two days of hearings that it will order Lac to remove the poison pill if either of the rival suitors, the Toronto-based gold producer American Barrick or Royal Oak Mines of Vancouver, attracts more than 66 per cent of Lac's shares.

Royal Oak's C$2.4bn (US$1.7bn) bid is due to expire tomorrow, while Barrick's C$2.1bn offer expires on Friday. Both are conditional on acceptance by holders of two-thirds of Lac's shares.

The poison pill allows Lac's directors to issue large amounts of stock to existing shareholders at a deep discount in the event of a predator acquiring a stake of more than 15 per cent.

Lac has so far tried to convince shareholders that their interests would be best served by allowing it to remain independent.

Mr Jim Pitblado, chairman, told the OSC that Lac has talked to other potential suitors, but that it could be two or three weeks before another bid materialises. He declined to give details of these talks.

Royal Oak and Barrick contend that Lac's directors have had enough time to find a "white knight" since Royal Oak made its first offer on July 7.

According to the two suitors, Lac's shareholders should now be allowed to decide the company's fate.

Analysts give Barrick a higher chance of success than Royal Oak, despite the lower face value of its bid.

Both companies have offered a combination of cash and shares, but Barrick's paper is widely regarded as more attractive and liquid than Royal Oak, which is a much smaller company with relatively high-cost mines.

Royal Oak raised the cash component of its offer earlier this month.

The fact that Barrick has not responded is taken as a sign that Mr Peter Munk, its chairman and controlling shareholder, remains confident of most Lac shareholders' support.

This week: Company news

HOECHST/BAYER

Upbeat forecasts for recovering chemicals giants

Hoechst and Bayer, the German chemicals giants, report their half-year results this week, after BASF's figures last Thursday.

Brokers expect Hoechst's pre-tax profits, due on Wednesday, to be about DM1bn ($650m) for the half, compared with DM781m for the same period last year. The first-quarter figure was up 16 per cent.

Bayer, the last of the big three chemicals groups to post results, reports on Thursday. Estimates are for about DM1.7bn pre-tax, compared with DM1.41bn. It showed a first-quarter rise of 18 per cent.

Analysts expect the two companies to be helped by good volume gains, particularly from overseas. Hoechst, which is more exposed to the cyclical plastics market, should also benefit from the start of the turnround in petrochemicals.

Bayer has little plastics manufacturing, but should post an upturn in intermediates volumes and prices, if it repeats the experience of Rhône-Poulenc, the French group which released results this month.

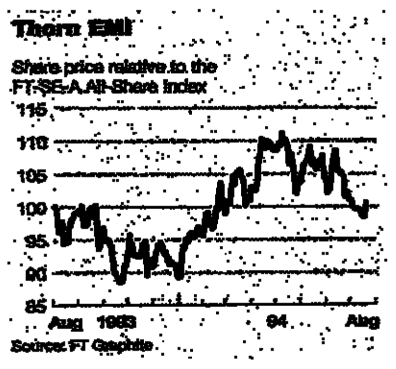
Both German companies will continue to suffer from the healthcare reforms announced in Europe during the past week. The German market – where the companies suffered last year – is beginning to recover, but from a low base.

Analysts will also be watching the results of the agrochemicals operations, which have suffered in the past two years from the impact of the EU's Common Agricultural Policy.

The results of German chemicals groups are notoriously difficult to predict. Analysts will be looking for the sort of restructuring provisions BASF announced last week. But Bayer and Hoechst are unlikely to suffer from a hit on currencies similar to BASF, which traditionally likes to play the market.

Thorn EMI

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

THORN EMI

Stones and monks enliven first quarter

Analysts will be examining with interest the results from Thorn EMI tomorrow. It will be the first time the music and rental group has reported on the first quarter.

Most agree it has been a relatively quiet three months to June in the music industry, with only two big releases on the Virgin and EMI labels – the Rolling Stones and the Benedictine Monks. Recent US statistics suggest overall sales growth in the music market was more than 10 per cent in the first half of the year, and positive noises from Polygram at its recent results suggest similar growth in Europe.

Analysts predit music sales growth for Thorn of around 7 per cent.

Music accounts for nearly two-thirds of Thorn's profits. Operating profits of between £45m ($29m) and £55m are tentatively forecast for the division, out of total overall profits of between £67m and £77m. A goodwill write-down on the sale of some non-core assets should bring pre-tax profits in at around £50m-£60m.

Thorn's rental business, which includes Rumbelows in the UK and Rent-A-Center in the US, should chip in with operating profits of around £25m.

Thorn shares, which have underperformed on the market by around 8 per cent in the past three months, have recently rallied, reviving speculation over the group demerging.

OTHER COMPANIES

Citic Pacific tipped for 30% interim rise

Citic Pacific, the Hong Kong-listed arm of the Beijing foreign investment company, reports its interim results today, kicking off the week's corporate announcements.

Analysts are looking for a rise of more than 30 per cent at the interim stage, giving a net income figure of HK$1.04bn ($135m). Earnings will be boosted by a full six-months' contribution from Hongkong Telecom, in which it has a 12 per cent stake.

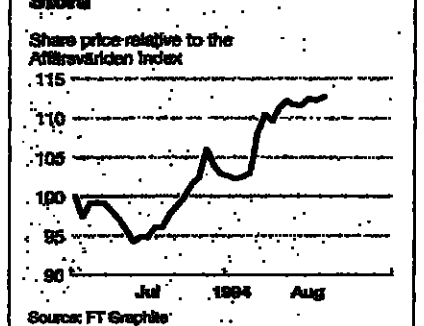
On Thursday it is the turn of Cheung Kong, the property developer controlled by Li Ka-shing, to release its interims. The results will provide a pointer for the developers which follow.

■ Swedish banks: Skandinaviska Enskilda Banken and Svenska Handelsbanken will put Sweden's banking crisis further behind them tomorrow when they are expected to show a strong improvement in first-half profits. Sharply reduced loan losses will more than offset a likely drop on the securities side. Top expectations for SE Banken are profits of SKr2.2bn ($280m) and for Handelsbanken, SKr2.4bn.

■ Stora: The market is looking for profits of around SKr1.6bn when Europe's biggest pulp and paper group reports first-half results tomorrow. Capital gains and cost-cutting will be the main reason for the upturn from last year's SKr30m profit, although the group will be starting to feel the benefit

Stora

Share price relative to the Affärsvärlden Index



Source: FT Graphite

of rising pulp, fine paper and sawn timber prices.

■ OMV: The Austrian integrated oil and chemicals group returned to profit in the first quarter after two years of losses, and is expected to reveal modest figures in the black for the second quarter tomorrow. Investors will be looking for confirmation that the group's aggressive cost-cutting and economic recovery will combine to produce a strong jump in cyclical earnings jump next year, even in the still loss-making chemicals and plastics businesses.

■ ING/ABN AMRO: ING Group, the big Dutch financial services concern, releases its second-quarter results on Thursday. This is followed by ABN AMRO, the Netherlands' largest bank, which is due to publish first-half results on Friday. The health of the Dutch economy is expected to help underpin steady growth in both groups' results.

Companies in this issue

Servisair plans October float

By Simon Davies

Servisair, the former British & Commonwealth subsidiary and Europe's largest aircraft and passenger handling company, is to come to the stock market in October valued at more than £50m.

Servisair currently handles about 23.5m passengers a year or one aircraft every 90 seconds, and it operates out of all the UK's largest airports, with the exception of Heathrow.

It should benefit from increasing air traffic and a trend for airlines to contract out their more labour-intensive non-core activities, such as ticketing and baggage handling.

Servisair's profits are slanted towards the second half, and next weekend, the bank holiday, will be the busiest of the year, when it will process more than 650,000 passengers.

The passenger trend has been upwards, and despite the impact of the recession and the Gulf war on the travel market during the 1990s, Servisair has recorded 10 years of uninterrupted profits growth.

In 1993 its operating profits were up 35 per cent to £3.6m and earnings have increased tenfold in 10 years.

The group derives about 70 per cent of its profits from passenger handling, with 25 per cent coming from cargo, and the remainder from operating lounges and other businesses.

It handles all the passenger services for three of the UK's four largest charter airlines: Brittania, Air Tours and Air 2000, and charter flights accounted for 53 per cent of passenger revenue in 1993. It also represents international airlines from Air France (all its flights outside Heathrow) to Pakistan International.

The company is a wholly-owned subsidiary of Securum, the Swedish investment company formed after the 1992 collapse of Nordbanken.

Servisair started as an offshoot of B&C's shipping operations during the 1950s and 1960s and became part of Bricom, B&C's industrial holding company. Bricom was privatised in 1988 by its management, but was bought out by Swedish investors in 1990, and ended up with Nordbanken as collateral for a bad loan.

It will be the first Securum flotation outside Sweden but is to be followed by others, including its extensive UK property interests and another former B&C industrial subsidiary, ANC, which operates a parcel delivery service.

It is planned that Securum will retain a stake of about 40 per cent in Servisair, which will also raise some capital from the offer of new shares through a placement and intermediaries offer.

In the short term Servisair should achieve profits growth from the impact of the recent purchase of Ogden Aviation Services, which gives the group an entry into Birmingham International Airport.

John Willis (left), managing director, with Tony McCann: expect to pick up more of airlines' non-core activities

Most analysts forecast passenger growth of between 5 and 7 per cent a year up to the year 2000.

Mr Tony McCann, chairman, argued that airlines were going through a "period of self-examination", which should see independent companies start to pick up more of the airlines' management intensive non-core activities.

Given the breadth of its business, it can utilise its staff efficiently and employs up to 3,300 people during peak periods of the year.

Mr McCann also expects some of the airport monopolies to be broken up. It recently won the baggage handling franchise for East Midlands Airport, and is optimistic that other opportunities will emerge.

In the longer term, it plans a push into continental Europe, having already developed a presence in the Netherlands.

The listing is sponsored by Barclays de Zoete Wedd, with Cazenove as stockbroker.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Boiswessanen (Netherlands)	Units of Harrisons & Crosfield	Food	£81.6m	Buying French/UK arms
Bank of Ireland (Ireland)	Great Bay Bankshares (US)	Banking	£33.9m	Fill-in buy
Colgate-Palmolive (US)	Hindusta-Ciba-Geigy (India)	Healthcare	£27.1m	Expanding Indian arm
FH Faulding (Australia)	Merrywise (HK)	Pharmaceuticals	£19.4m	Taking 90% stake
BOC (UK)	Calumatic (Netherlands)	Pharmaceutical equipment	£10.8m	Freeze dry development
Laws Group (UK)	Unifood (Ireland)	Food	£0.99m	Buy from Irish Biscuits
Nestlé (Switzerland)	Unit of Banco Bilbao Vizcaya (Spain)	Food	n/a	Agreement reached
Sun Life (Canada)	Confederation UK (UK)	Insurance	n/a	Buy from liquidators
Premier Consolidated Oil (UK)/Albpetrol (Albania)	Anglo-Albanian Petroleum (JV)	Oil & gas	n/a	Oil development venture
Philips & KPN (Netherlands) /Graff Pay-Per-View (US)	Joint Venture	Broadcasting	n/a	Pay per view TV move

Lazard High net revenue at £1.46m

In its first full year results since its launch last August, Lazard High Income Trust turned in net revenue of £1.46m for the 11 months period to June 30 and an earnings per share value of 6.4p.

A fourth interim dividend of 1.067p makes a total for the year of 5.867p and a first interim of 0.573p is declared for the current year.

Net asset value slipped by 1.5 per cent to 94.5p over the period.

Savoy denies Forte agreement

By Paul Taylor

Savoy Hotel yesterday firmly denied a newspaper report that a secret agreement had been reached with Forte, the rival hotel group, which has waged a 13-year struggle to acquire the Savoy group, whose hotels include the Savoy, Claridge's and the Connaught.

The Savoy group said, "there is no agreement between Savoy and Forte, no secret deals have been agreed, nothing has been agreed secretly or openly and if any agreement had been reached over any proposals they would be announced in the proper manner."

The company added that no proposals have been put to the board which is not due to meet again until next month.

Late last month the Savoy board revealed to the Stock Exchange that it had become aware of discussions between Forte and some of the trusts which have a significant interest in the share capital of the Savoy.

The trusts involved in the discussions are widely thought to be those of the Wontner family, represented by Mr John Sinclair, a Savoy director.

If Forte, chaired by Mr Rocco Forte, son of the group's founder, can persuade Mr Sinclair to become its ally, it would gain effective control of Savoy.

Forte acquired 68 per cent of Savoy's share capital, but only 42 per cent of its votes, following an acrimonious takeover battle in the 1980s. Support from Mr Sinclair would give Forte a clear majority of the votes.

Under a 1989 peace agreement Forte agreed not increase its stake in Savoy for five years and agreed to give 12 months notice if it wanted to do so. This requirement remains even after the five-year period ends in November.

Compell coming to market with £25m tag

Compell Group, a computer systems and services group, plans to come to market next month via a share placing with institutional investors which is expected to value the group at around £25m, writes Paul Talylor.

The Welwyn Garden City-based group expects to raise about £4.5m of new money through the flotation which will involve the placing of shares worth about £11m. The issue is sponsored and underwritten by Société Générale Strauss Turnbull Securities.

Compell, the subject of a 1987 management buy-out, has grown into one of the UK's leading independent systems integrators within its sector.

The directors will announce pre-tax profits of £2.06m (£604,000) on turnover of £54.5m (£43.8m) for the year to June 30 when the flotation prospectus is published.

Waterglade property buy

Waterglade International, the lossmaking property developer, is to buy six shops with offices above from Associated Shop Properties of London. Consideration for the properties at Westbourne Grove, W, was £480,000, together with the assumption of a mortgage of £600,000.

The EGM called for Thursday by rebel shareholders in a move to oust the board was cancelled on a technicality.

Maybank shows 46% advance to M$1.16bn

By Kieran Cooke in Kuala Lumpur

Malayan Bank, Malaysia's biggest financial institution, has reported a pre-tax profit for the year ending June 30 1994 of M$1.16bn ($451m), a 46 per cent increase on the previous year's figure.

The improvement puts Maybank firmly in the top echelon of Malaysia's corporate money earners. Only Telekom Malaysia, the telecommunications utility, and Tenaga Nasional, the electricity utility, both partially privatised in recent years, have achieved M$1bn plus profit levels.

Mr Amirsham Aziz, Maybank's managing director, said the advance was the result of an expanded loans base, higher profits from foreign exchange dealings, strong growth in fee-based activity and further improvement in the quality of the bank's assets. The bank also benefited from the upsurge in the equity market.

More than 80 per cent of Maybank's profits came from operations within Malaysia. Mr Amirsham said loan growth had been particularly strong – up nearly 13 per cent compared with a 6 per cent growth in the rest of the banking industry.

Mr Amirsham said that future prospects were good, given the continued strong growth of the Malaysian economy.

He said that efforts were being made to diversify Maybank's earnings base in the face of stronger competition from other institutions. Maybank now plans to make its presence felt elsewhere in the region.

Financial analysts describe Maybank as one of Malaysia's most conservatively managed institutions. They say that while the bank has performed well in the protected domestic market, it might find profits more difficult to achieve as it exposes itself to competition overseas.

Cemex pays $58m for Panamanian plant

By Damian Fraser in Mexico City

Cementos Mexicanos, the Mexican cement company, has extended its presence in Latin America by buying Cementos Bayano, the Panamanian plant, for $57.7m (£37.2m).

The plant was sold by the Panamanian government as part of its privatisation programme. Its sales reached 300,000 tonnes of cement last year, about half Panama's domestic consumption, while its production capacity is estimated at 360,000 tonnes of cement and 700,000 tonnes of clinker.

The purchase widens the global reach of the Mexican cement company, which is the fourth largest in the world with capacity of 40m tonnes. Earlier this year Cemex bought a controlling stake in Vencemos, Venezeula's largest cement company, adding to existing operations in the south of the US, in Cuba and in Spain.

"This acquisition represents an important step in our strategy of expansion in the Latin American market and for the first time gives us production in Central America," said Mr Lorenzo Zambrano, the head of Cemex.

Cemex will acquire 95 per cent of the company. The remaining 5 per cent will go to Bayano employees.

COMPANIES AND FINANCE

Slimmer Aga lifts profit 11% on improved sales

By Hugh Carnegy in Stockholm

Aga, the newly-streamlined Swedish industrial gas group, has reported profits after financial items up by 11 per cent in the first half, to SKr785m ($99.5m) from SKr709m in the same period last year.

The company, which ranks fifth among the world's commercial gas suppliers, recently spun off its subsidiary Frigoscandia – the world's biggest cold storage chain – as a wholly-independent listed company to concentrate on industrial gas operations.

Its half-year results, fully adjusted to exclude Frigoscandia, showed sales ahead 12 per cent at SKr6.08bn, compared with SKr5.45bn in 1993. It cited an upturn in the Nordic and US economies as the main reason. However, demand in continental Europe was weak while the economy of Venezuela, another important Aga market, deteriorated.

Aga said it anticipated a similar performance in the second half, and forecast an improvement in pre-tax profits after financial items over the full year. Last year the figure was SKr1.36bn, excluding Frigoscandia.

Frigoscandia, given away to Aga shareholders in July, earlier reported a fall in first-half profits after financial items to SKr10m from SKr57m last time. Sales were down to SKr2bn from SKr2.09bn. However, the company forecast a stronger second half, taking expected full-year profits to around SKr150m, against SKr204m last year.

Aga is investing heavily in eastern Europe, and said it now owned 85 per cent of Balashiha Kislorodny Zavod (BKZ), one of Russia's two biggest industrial gas groups, which it first bought into in June. BKZ, with 360 employees and annual sales of SKr45m, is the largest gas supplier in the Moscow area. Aga already has gas companies in Kaliningrad and St Petersburg.

Mr Marcus Storch, chief executive, said although the purchase price of BKZ was small, the investment commitment by Aga was high.

SSAB on course for record

By Christopher Brown-Humes in Stockholm

Big price rises and higher volumes led to a tripling of first-half profits at SSAB, putting the Swedish steel group on course for record full-year figures.

Profits after financial items amounted to SKr1.05bn ($133.2m), up SKr715m from a year ago, after a 20 per cent rise in sales to SKr7.6bn.

Full-year profits are expected to be more than double 1993's SKr776m. This would exceed the SKr1.58bn profit achieved in the 1989 boom year.

SSAB, already benefiting from rigorous cost-cutting and the weak Swedish currency, is seeing a strong pick-up in the market.

First-half prices were 15 per cent higher than a year ago, and they accounted for 13 percentage points of the group's increase in sales. Volumes, accounting for the balance of the sales increase, have been driven up by rising demand in Sweden and the rest of Europe.

Mr Leif Gustafsson, chief executive, said: "The recessionary phase seems to have ended and steel demand is once again increasing on most western European markets."

Margins improved because raw material prices were only 6 per cent higher than a year ago, and the increase in processing costs was held to 3 per cent.

The best performance came from the group's Tunnplat steel plate division, where profits after financial items climbed to SKr557m from SKr58m on a 29 per cent increase in sales to SKr4.05bn.

In the second half, the group will benefit from mid-year price increases and a further weakening of the krona, although holiday production and maintenance stops will mitigate their impact.

Share issue helps boost Gambro

By Christopher Brown-Humes

Gambro, the newest Swedish recruit to the Wallenberg domain, has reported first-half pre-tax profits of SKr582m ($73.8m), up 18 per cent from SKr495m a year ago.

The rate of increase outpaced growth in sales and operating profit, largely because a share issue last year reduced interest expenses.

The Swedish medical equipment specialist said it expected its earnings to continue to develop favourably. It became part of Incentive, one of the key companies in the Wallenberg sphere, in June after being targetted because of its strong growth prospects.

Higher costs, increased depreciation and R & D expenses restricted growth in operating income to 9 per cent, and lowered the operating margin to 14.8 per cent from 15.3 per cent.

However, the group made up for this with a reduced interest bill of SKr156m, compared with SKr195m a year ago, following its SKr400m rights issue last year.

All but of one of the group's five business areas expanded sales, taking group sales up 13 per cent to SKr4.89bn. The increase was 10 per cent after adjusting for exchange rates.

The group's main unit, renal care, increased sales to SKr3.2bn from SKr2.90bn. However, sales within the intensive care and anaesthesia division fell because of health sector investment restraints.

Wal-Mart to open outlets in Hong Kong

By Richard Tomkins in New York

Wal-Mart Stores, the US discount store group and the world's biggest retailer, its planning to expand into Asia by opening stores in Hong Kong and China.

The company says it will carry out the expansion through a joint venture agreement with Ek Chor Distribution System, a Hong Kong company owned by Charoen Pokphand, the multinational conglomerate and Thailand's biggest business group.

The joint venture expects to start by opening three or four Value Clubs in Hong Kong this autumn. At between 10,000 sq ft and 20,000 sq ft per store, the Value Clubs will be a smaller version of Wal-Mart's membership warehouse clubs, which operate as Sam's Clubs in the US.

Later, the joint venture plans to enter mainland China with discount stores and membership warehouse clubs similar to Wal-Mart's US discount stores and Sam's Clubs.

The move into Asia marks a significant departure for Wal-Mart, as it is the company's first move outside the Americas, where it has 2,091 Wal-Mart discount stores, 87 Supercenters (discount stores and supermarkets combined), and 434 Sam's Clubs.

The company began its expansion outside the US in 1991, when it signed a joint venture agreement with Cifra, Mexico's largest retailer. In March this year it acquired 122 Woolco discount stores in Canada from Woolworth, the US retailer, and started converting them to the Wal-Mart format.

Also in March, Wal-Mart established its first Asian links when it signed a deal with Ito-Yokado, the Japanese supermarket chain, to start supplying its own-brand products to the Japanese retailer.

With the US retail market suffering from saturation, Wal-Mart has gone the way of other large US retailing groups, which are tending to look outside their domestic market for growth.

IBM gears up for PC price war

The personal computer division is being reshaped, writes **Louise Kehoe**

The general outlook at International Business Machines is getting brighter, with modest profits forecast for the year. However, clouds are gathering over the company's $12bn personal computer business.

Only marginally profitable, and with virtually flat revenues in a rapidly growing market, the IBM Personal Computer Company has seen its market share fall sharply over the past year. In the US, IBM has lost its market leadership, falling to fourth place behind Compaq Computer, Apple Computer and Packard Bell in terms of unit sales.

Adding to IBM's PC woes, Compaq has slashed prices on many of its products by up to 22 per cent, in a move that is expected to prompt a price war throughout the PC industry.

IBM PC is also faced with having to bring to market this year a long-promised range of PCs based on "PowerPC" chips jointly developed with Motorola and Apple Computer. What should have been an opportunity for IBM to pull ahead of the pack in the personal computer market now appears far less promising, at least in the short term.

To knock IBM PC into shape, Mr Lou Gerstner, IBM chairman and chief executive, has brought in Mr Rick Thoman, a long-time colleague at American Express and RJR Nabisco. Mr Thoman, who joined IBM in January, is known as a tough manager and an experienced international marketer.

In a sweeping reorganisation of the IBM PC business, Mr Thoman has disbanded the self-contained "brand teams" set up to develop and market IBM's various PC product lines. He has also announced plans to consolidate IBM PC's US operations, bringing most together at four sites, down from over a dozen, with the loss of between 1,500 and 2,000 jobs. "There is a trilogy of things you have to worry about: cost, quality and speed," says Mr Thoman. IBM PC is the best in the industry in terms of quality, he claims, "but we have higher costs and are slower than some of our best competitors. So our objective is to get our costs down to competitive levels and become much faster in terms of reacting to the marketplace and getting new models out on time."

Streamlining the organisation will cut costs, but more importantly it will speed up response times, Mr Thoman says. Although the IBM PC company was regarded just a year ago as a model "independent business unit", it had in fact become bogged down in bureaucracy, he says.

"To fill a typical corporate order, 13 managers had to sign off on various decisions," he complains. "Obviously, that made us slower than our competitors."

Mr Thoman has also laid plans to simplify IBM's "almost unmanageable" array of products – about 70 models with over 400 different configurations – and to standardise components throughout the product range. This will help to save costs and reduce inventories, he explains. A new worldwide information system is also being installed to help manage supply and demand for products by simplifying inventory transfers.

Managers from IBM PC's UK factory have been put in charge of efforts to shift production to a more efficient "build-to-order" schedule, already implemented at the plant in Greenock, Scotland.

As a newcomer to the computer industry, Mr Thoman observes that the IBM PC business is "like a healthy young child who does some things very well and some things abysmally badly". He says: "There is too much focus on technology and very little on what customers want and need."

For IBM, the Power PC microprocessor is a pertinent example of technology versus customer needs. Heavily promoted by IBM, Motorola and Apple over the past three years as a higher-performance alternative to the established PC technology standard, based on Intel-designed microprocessors, PowerPC lacks the software base to make it useful to most PC buyers. Yet IBM is committed to delivering PowerPC personal computers later this year.

Mr Thoman does not hide his lack of enthusiasm for the new technology. "People in the industry and even occasionally within IBM seem to want me to say something different, but I believe that the customer comes first. From an IBM PC point of view, we don't care which technology the customer chooses. If they want PowerPC, we have it. If they want a traditional PC [based on an Intel microprocessor] we have those too. Increasingly, it doesn't bother me."

PowerPC remains, however, a central element of the technology strategy for the whole of IBM. So, while it may not be ready for the IBM PC market, Mr Thoman has little choice but to put machines on the market that already seem doomed to sell poorly.

An even more pressing problem for IBM PC is intense price competition. Compaq's latest price cuts are aimed squarely at IBM's traditional stronghold in the corporate sector of the PC market. Now IBM faces the difficult choice between matching Compaq's prices or risking a further decline in market share.

How IBM responds to this new challenge will be a test for Mr Thoman and his new management team at IBM PC. The PC industry, he is quickly finding out, is brutally competitive.

It is also, however, "an industry in which companies have a history of making comebacks", he observes. "To be a true industry leader, you have to demonstrate superiority not over a half year, or even a whole year, but over a period of several years."

BIS finds mixed securities trend

By Tracy Corrigan

Investors were heavy sellers of securities in the first quarter, while banks became net sellers in the second quarter, according to the latest report on international banking and financial market developments by the Bank for International Settlements.

In the first quarter, there was "a major reduction in holdings of foreign securities by non-bank entities located in Japan", according to the report. "As a result of an increased preference for liquidity among non-bank investors, banks in the US, Germany, Switzerland and France recorded a strong rise in external liabilities."

While institutional investors may have completed much of their portfolio adjustment by the end of the first quarter, following the turnround in the US interest rate cycle in early February, some banks were net sellers of securities in the second quarter, having been net buyers in the first. However, Japanese residents became net buyers in April.

Unsettled market conditions also affected financing activity, with primary issues of international bonds down 33 per cent from the first quarter at $90bn, and net new issuance down 61 per cent. This suggests that reflows of capital and interset payments were the main support of activity.

"Increased investor reluctance to commit funds to bond issues forced some borrowers to delay planned flotations, to scale down the size of offerings, to shorten the maturity profile of their debt or to offer investors more generous terms," the report said.

International Paper financing

International Paper has completed a $200m project financing which will fund capital expenditure on the modernisation of International Paper-Kwidzyn, its pulp and paper mill in Kwidzyn, Poland, writes Tracy Corrigan.

The mill, formerly known as Zaklady Celulozowo Papiernicze, was sold to the US company as part of the Polish government's privatisation programme in 1992.

The deal consists of $200m of loan facilities arranged by JP Morgan and two development agencies.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, August 19, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	4027.40	2601.15	1689.83	2641.61
Albania	(Lek)	154.90	100.045	64.9867	101.6
Algeria	(Dinar)	58.8823	38.0302	24.703	38.6214
Andorra	(Fr Fr)	8.1796	5.2829	3.4316	5.365
	(Sp Peseta)	199.771	129.028	83.8106	131.032
[illegible]					
Gambia	(Dalasi)	14.8704	9.6043	6.2388	[illegible]
Germany	(D-Mark)	2.3836	1.5394	1	[illegible]
Ghana	(Cedi)	1502.58	970.439	630.362	[illegible]
Gibraltar	(Gib £)	1.00	0.6458	0.4195	[illegible]
Greece	(Drachma)	361.284	233.342	151.571	[illegible]
[illegible]					
Pakistan	(Pak. Rupee)	47.3136	30.5584	19.8496	31.0334
Panama	(Balboa)	1.5483	1	0.6495	1.0155
Papua New Guinea	(Kina)	1.4399	0.9299	0.604	0.9444
Paraguay	(Guarani)	2785.10	1798.81	1168.44	1826.77
Peru	(New Sol)	3.4495	2.2279	1.4471	2.2625
[illegible]					
France	(Fr)	8.1796	5.2829	3.4316	5.365
Fr. Cty/Africa	(CFA Fr)	817.960	528.296	343.162	536.506
Fr. Guiana	(Local Fr)	8.1796	5.2829	3.4316	5.365
Fr. Pacific Is	(CFP Fr)	148.10	96.2981	62.6524	97.7961
Gabon	(CFA Fr)	817.960	528.296	343.182	536.506
Niger Rep	(CFA Fr)	817.960	528.296	343.162	536.506
Nigeria	(Naira)	34.0816	21.9982	14.2899	22.3412
Norway	(Nor. Krone)	10.4922	6.7766	4.4018	6.8819
Oman	(Rial Omani)	0.5961	0.385	0.25	0.3909
Zaire Rep	(Zaire)	1626.45	1050.47	682.35	1066.8
Zambia	(Kwacha)	1041.67	672.783	437.016	683.242
Zimbabwe	($)	12.5074	8.0781	5.2472	8.2037

Special Drawing Rights August 18, 1994 United Kingdom £0.948287 United States $1.45880 Germany DM2.25680 Japan Y145.631 European Currency Unit Rates August 19, 1994 United Kingdom £0.800443 United States $1.23928 Germany DM1.90782 Japan Y121.980

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar; (v) Floating rate; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Rwandan rate for 31.3.94. (3) Yemeni rates for 29.4.94. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.

Friday, August 19, 1994

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY
Abbey Natl. Treas. 10⅛% Gtd. Nts.'95 Ecu101.25
Barclays O'seas Cap. 6⅜% Gtd. Nts.'97 C$63.75
Bear Stearns FRN 2004 $2576.74
Exchequer 12½% 1994 £6.25
Cheam A 9.3p
Do. B (N/Vtg) 9.3p
Commonwealth Bk Australia 13¾% Nts.'94 NZ$137.50
First National Fin. 0.5p
Furukawa 6% Nts.'96 Y600000.0
Halma 1.44p
Hambros 10.5p
Do. N/Vtg 2.1p
Heath (Samuel) 4.5p
Intercare 0.7p
MBE Gin. Gtd. Dual Bd.'02 $10684.03
Prospect Inds. 0.29p
Toyobo FRN 1999 Y66909.0
TSB Offshore Inv. Fd. Ptg. Rd. Pf. 2.34p
Witan Inv. 6¼% Exch Bd. '08 £31.25

TOMORROW
Argyll Grp. 7.75p
Barclays Bank Und. Fltg. Prim. Cap. Nts. Ser.2 $194.83
Can. Imperial Bank Comm. Fltg. Rate Db. '85 $194.83
Cardiff Auto Rec.No.3 Class A FRN '98 £138.95
Do. Mezzanine FRN 1998 £162.26
HK & Shanghai Bk. Prim. Cap. Und. FRN (Ser.1) $125.89
Kleinwort Charter Inv. Tst. 1.25p
M & G Dual Tst. 30.55p
Rothmans Int. Units 13.2p
Treasury 2½% I.L. 2011 £2.37

WEDNESDAY AUGUST 24
Allied Irish Banks Und. Var. Rate Nts. $148.54
Anglian Water 6½% Bd. 1998 £325.0
Brad. & Bingley Bldg. Scty. Sb. FRN '05 £147.14
Burton 8% Cv. Ln. '96/2001 £4.0
Commonwealth Bk Australia Und. FRN (Feb '89) $197.84
Denmark FRN 1998 £127.60
Eskimuir Props. 7⅞% 1st. Mtg. Db. '20 £3.9375
Fujita Inv. Gtd. FRN '98 $1236.25
Kembrey 0.155p
Leeds Perm. Bldg. Scty. FRN '97 £133.27
Merrill Lynch $0.23
Northern Rock Bldg. Scty. FRN '94 £135.48
Racal Elect. 2.75p
Royal Bank of Canada C$0.29
Sanwa Fin. Aruba Gtd. Sb. FRN Ser.3 $678.82
Swan (John) 18p

THURSDAY AUGUST 25
Allders 2.2p
Aluminum Co of America $0.40
BPB Inds. 7¼% Cv. Bd. '08 £36.25
Brad. & Bingley Bldg. Scty. FRN '96 £134.53
Chubb Security 4.25p
De La Rue 14p
Eaton $0.30
Greene King 9.05p
Halifax Bldg. Scty. Clrd. FRN '03 £347.12
Inspirations 0.56p
Martin Currie Euro. Inv. Tst. 0.29p
Shani Grp. 3p
Trifast 0.86p
TSB Gilt Fd. Ptg. Pf. (Class B) 0.66p
Wintrust 5¾% Cv. Pf. 2.875p
Witan Inv. 2.7p
Yorkshire Chemicals 2.75p
Treasury 8¾% 2017 £4.375

FRIDAY AUGUST 26
British land 5.08p
Carlton Comms. 8.15p
Cassidy Brothers 2p
Cosalt 3p
Dawson Int. 1.5p
Dunedin Enterprise Inv. Tst. 2.7p
Eurocamp 3.6p
Evans of Leeds 1.74p
French (Thomas) 1.45p
Gartmore Scotland Inv. Tst. 2.4p
Do. Units £6.0
Gestetner 1.2p
Do. Cap 0.08p
India Fd. B 0.35p
Jersey Elect. A 14p
Lloyds Eurofin. Gtd. FRN '96 £66.95
London Insurance Mkt. Inv. Tst. 1p
London Merchant Sec. 3.4p
Merchants Tst. 2.85p
Neotronics Technology 0.85p
Ross Grp. 0.2p
Security Services 4½% Cm Pf. 1.575p
TGI 1.4p
TR Tech 2.75p
Do. Units 11p
Tokai Fin. (Cur.) Und. FRN Y1790000.0
Treasury 10% 2001 £5.0

SATURDAY AUGUST 27
Treasury 9¾% 2002 £4.875
Kenwood Appliances 6p
Malaysia Mining M$0.03
Smith New Court 8p

SUNDAY AUGUST 28
Cigna O'seas Fin. 13% Un. Ln. '08 £6.50
Electricite de France 12½% Gtd. Ln. '08 £312.50

UK COMPANIES

TODAY
COMPANY MEETINGS:
Faupel Trading, Faupel House, Giggs Hill Road, Thames Ditton, Surrey, 11.00
Heath (Samuel), Cobden Works, Leopold Street, Birmingham, 12.00
BOARD MEETINGS:
Finals:
Aerospace Engineering
Interims:
Fidelity European Values
Genbel
Hibernian
MTM
Victaulic

TOMORROW
COMPANY MEETINGS:
Booth Inds., Pembroke Halls, Walkden, Manchester, 11.30
Marling Inds., Chartered Accountants Hall, Morgate Place, E.C., 9.30
Moorgate Inv. Tst., 49, Hays Mews, W., 11.00
BOARD MEETINGS:
Finals:
Eaglet Inv. Tst.
Throgmorton 1000 smallest Co's
Interims:
Bailey (Ben) Construction
Friendly Hotels
Graseby
Kerry Group
Latin American Inv. Tst.
Marley
Murray Intl. Tst.
Stora

WEDNESDAY AUGUST 24
COMPANY MEETINGS:
I & S Optimum Inc. Tst., 1, Charlotte Square, Edinburgh, 12.30
Martin Currie European Inv. Tst., Saltire Court, 20, Castle Terrace, Edinburgh, 12.00
Property Tst., Dorchester Hotel, Park Lane, W., 10.00
Shaw (Arthur), London Marriott Hotel, Grosvenor Square, W., 11.30
Swan (John), New Mart Road, Gorgie, Edinburgh, 3.30
BOARD MEETINGS:
Finals:
Farringford
Smith (WH)
Interims:
Daniels (S)
Dunedin Inc. Growth Tst.
EFT Group
Gibbs & Dandy
Hambro Countrywide
INVESCO
Jos Hldgs.
Mayflower
Mersey Docks & Harbour
Parity
Senior Eng.
Telegraph

THURSDAY AUGUST 25
COMPANY MEETINGS:
FKI, Waldorf Hotel, Aldwych, W.C., 12.00
Greene King, Theatre Royal, Westgate Street, Bury St. Edmunds, Suffolk, 12.00
Scottish & Newcastle, Sheraton Grand Hotel, 1, Festival Square, Edinburgh, 11.30
TBI, 1, Angel Court, E.C., 12.30
TGI, 119, London Wall, E.C., 11.00
BOARD MEETINGS:
Finals:
Murray Inc. Tst.
Roxspur
Select Inds.
Interims:
Bridon
Graham Group
Guardian Royal Exchange
Quicks
Rentokil
Shorco
Weir

FRIDAY AUGUST 26
COMPANY MEETINGS:
Daejan Hldgs., CBI, Centre Point, New Oxford Street, W.C., 12.00
Hollas, 9, Cheapside, E.C., 11.00
Ivory & Sime, Sheraton Grand Hotel, 1, Festival Square, Edinburgh, 12.30
Pelican Grp., 100, Liverpool Street, E.C., 9.30
BOARD MEETINGS:
Finals:
New London
Interims:
Fleming Claverhouse
Pegasus
Sunleigh

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONTRACTS & TENDERS

TENDER NOTICE
MANAGED LEASED LINE NETWORK IN HUNGARY

The HUNGARIAN TELECOMMUNICATIONS CO. LTD. (HTC) now invites sealed bids for the supply and supervision of installation of a Managed Leased Line Network (MLLN) in Hungary.

The MLLN, scheduled to be executed in 1995-96, will be a new, country-wide, digital, centrally managed overlay network to fulfil HTC's business customers' leased line demands for their corporate networks. The MLLN will operate on HTC's existing digital transmission (PDH) infrastructure through E1 and optionally E3 interfaces.

Planned service feature of the overlay network are:
-End-to-end managed digital leased line services from sub-rate to super-rate transparent data speeds, framed E0, E1 and fractional E1 services, analogue voice transmission with signalling.
- The above range of services shall be extended in the near future with frame relay, ATM access, LAN-to-LAN, VPN (Virtual Private Networking) and other value added services for data, voice, video and multi-media application facilities.

Bidders are required to offer fully integrated system-solutions, based on a single Network Management System, 1/0 DXC's flexible multiplexers and local loop driving and terminating equipment. The complete MLLN project will include 54 nodes country-side and 26 nodes in Budapest by the end of 1996, of which 19 and 6 nodes, respectively, shall be established by the end of 1995.

Interested companies and consortia, who have the capability to complete this project may inspect the Tender Documents and may purchase them from 1st September, 1994 at the following address:

INTERTRADE CO. LTD.
Ms. Márta Gabriella Tóth, Sales Executive
Budapest, II, Medve utca 25-29., 1027 Hungary
Tel.: (+36-1) 201-0054
Fax.: (+36-1) 201-0017 or 201-0008

upon payment of a non-refundable fee of USD 400 (domestic companies shall pay HUF 44,000). Remittance shall be made to the account # 217-98931/2949-008 kept by Inteltrade Co. Ltd. with Citibank Budapest. The following reference shall be made:
Tender No.: IT-204/TMG

The tender documents will be available upon presentation of the receipt of the effected remittance. Bidder may ask for mailing the Tender Documents to his address, if he sends the above receipt to Inteltrade and undertakes to pay the mailing costs.

Bids shall be delivered to the above address not later than 11.00 a.m. on 1st November, 1994

All bids shall be accompanied by a bid security of not less than 300,000 USD or its equivalent in any freely convertible currency.

Only those bidders will proceed to the evaluation of their bids who meet the postqualification criteria which is stipulated in the Tender Documents.

CONFERENCES & EXHIBITIONS

SEPTEMBER 7
Working in the EU
Over half of British trade is now with the EU. This conference will give a factual base plus analysis of main headings to be considered for those sending employees abroad.
For details contact International Professional Conferences Ltd.
Tel: 061 445 8623
LONDON

SEPTEMBER 12
Maternity Pay and Leave
CBI Conference, in association with Simmons & Simmons, highlights and explains the new rules and procedures to take effect from October '94 and the steps companies should take to review their current maternity policies.
Contact Sandra Aldred, CBI Conferences
Tel: 071 379 7400 Fax: 071 497 3646
LONDON

SEPTEMBER 13
Product Data Management (PDM) Seminar
This one day seminar covers the business benefits of PDM, defines the key functions required for an enterprise-wide system to support Concurrent Engineering, and Business Process Re-engineering. Includes tutorials & product exhibition.
Contact: CIMdata on
Tel: 0203 441129 or Fax: 0203 451919
BIRMINGHAM

SEPTEMBER 14-29
Successful Acquisitions - New Strategies in the 90's
CBI/Peratec Conference series in association with Schroder Ventures considers formula for success and management techniques required in making successful acquisitions worldwide.
Venues:- West Midlands, West Yorkshire and London
Contact Georgina Kingsby,
CBI Conferences Tel 071 379 7400
Fax 071 497 3646
VARIOUS

SEPTEMBER 19-20
Business Process Re-engineering (BPR)
Continuing series of seminars for managers charged with designing and implementing BPR initiatives. Presented by leading US practitioner and BPR author. Proven 'how-to-do-it' implementation guide illustrated with case studies and workshops. Course book also available. Over 50 organisations in the private & public sectors have already attended. Repeated November 21-22.
Contact: Richard Parris, Vertical Systems Intercede Ltd
Tel: +44-455-250266 (24 hours)
Fax: +44-455-890821
LONDON AREA

SEPTEMBER 19-22
Fire 94
The national conference & exhibition for the whole fire protection profession, featuring a wide range of the latest fire safety equipment and services. Bournemouth International Centre, Dorset.
Contact: Jane Malcolm-Coe
FMJ International Publications Ltd
Tel: (0737) 768611 Fax: (0737) 761685
BOURNEMOUTH

SEPTEMBER 21 & 22
FT Retailing Towards 2000
The meeting will examine the need for the retail industry to exploit the opportunities that new markets and new technologies are offering as well as the fundamental business challenges of maximising profits and controlling costs.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
LONDON

SEPTEMBER 27-29
PPMA Show
The UK's premier show for processing and packaging machinery. Over 200 standholders representing 500 international machine manufacturers. Equipment to process and pack food, pharmaceuticals, cosmetics, chemicals, beverages, confectionery etc. Free daily seminar on CE Mark regulations.
For tickets contact Melinda Scales
Tel: 081-681 8226 Fax: 081-681 1641
NEC, BIRMINGHAM

SEPTEMBER 28
The Third Age of Financial Services
The opportunities in the 50+ markets.
A joint conference organised by Age Concern England and The Henley Centre designed to help those companies interested in marketing goods and services to the 50+ age group.
Cost: 335 + VAT
Contact: Anna Harman at The Henley Centre
Tel: 071 353 9961
LONDON

SEPTEMBER 29
South Africa
A Cityforum conference featuring Chris Stals, Sir Evelyn de Rothschild, Mr Alec Irwin, Robert Guy, Basil Hersov, Gary Maude, M J Levett. Sponsors: South Africa Foundation, Rothschilds/ Smiths New Court, Clifford Chance, Coopers & Lybrand, Old Mutual.
Information from Cityforum:
Tel: 0225 466744 Fax: 0225 442903
LONDON

OCTOBER 3/4/5
City Intensive Seminar
A programme for new recruits to the City, corporate finance, treasurers and financial executives covering structure, markets, regulation and world position of the City. Speakers include Michael Cassidy, Scott Dobbie, Sir Michael Palliser and Colin Sharman. KPMG sponsor.
Information from Cityforum:
Tel: 0225 466744 Fax: 0225 442903
LONDON

OCTOBER 3-5
LAFFERTY'S
1st International Wealth Management Convention
Four distinct but related conferences - a MUST for anyone in the affluent market - an area which offers enormous profit opportunity for providers of financial and professional services: Global Wealth Briefing, Private Banking, Investment Management & Dealing, Personal Financial Planning Conference
Contact: Elaine
LAFFERTY CONFERENCES, Dublin
Tel: (+353-1) 671 8022
Fax: (+353-1) 671 3594
LONDON

OCTOBER 4-6
FREIGHTCONNECTION 94 CONFERENCE & EXHIBITION
The third annual exhibition and conference for logistics professionals. Keynote speaker Secretary of State for Transport, plus Sir Alastair Morton, Eurotunnel and 15 other leading industry speakers and four debates. Accepted wisdom will be challenged and controversial ideas advanced.
For further details, telephone: 0543 419600. Fax: 0543 419299
LONDON

OCTOBER 5 & 6
Public Sector Purchasing
A one day seminar highlighting the different procedures and practices employed by Central & Local Government when purchasing from the private sector. Presented by Paul King, past chairman of the Forum of DSO Managers and Keith Hammond - Gearing, Government procurement consultant. This seminar concentrates on the numerous ways in which companies can greatly improve their competitive edge and win contracts.
Contact: Helen Birch
Business Information Publications
Tel: 041 332 8247 Fax: 041 331 2652
LONDON

OCTOBER 6, 7
RAIL PRIVATISATION - THE LEGAL FRAMEWORK
A conference examining legal issues involved in the new railway industry. Supported by Department of Transport, OPRAF and Linklaters & Paines. Speakers include new Railways Minister John Watts MP & Roger Salmon (OPRAF). Organised by The Waterfront Conference Co.
Contact: Claire Dexter
Tel: 071 730 0410 Fax: 071 730 0460
LONDON

OCTOBER 7-9
Enterprise Business & Computing Show 1994
The UK's only national exhibition for small-medium business. The exhibition is sponsored by Parcelforce and has over 150 companies represented from industries including, computing, finance, training, banking, franchising, commercial property, catering transportation and telecommunications.
Advance tickets: 081 982 6600
Contact: Julian Fisher, Enterprise Exhibitions Ltd, Tel: (0932) 859960/829920
Fax: (0932) 855741
WEMBLEY, LONDON

OCTOBER 11
Measuring the value of I.T. investments
This conference discusses how to asses the value of I.T. projects and prioritise I.T. investment successfully. It presents guidance from leading academics and consultants, as well as insights from the experience of major organisations, in both the private and public sector.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020
LONDON

OCTOBER 13 & 14
The Management of Product Safety & Quality
Product Safety and Quality are the responsibility of everyone concerned in the production of goods. This seminar will provide opportunities to hear clear and practical explanations by leading experts.
For details contact International Professional Conferences Ltd.
Tel: 061 445 8623
LONDON

OCTOBER 17 & 18
FT WORLD MOBILE COMMUNICATIONS
This two-day conference will bring together key speakers to share their views on the current state of play and the trends that will shape the industry in the future.
Enquiries: Financial Times
Tel: 081-673 9000 Fax: 081-673 1335
LONDON

OCTOBER 19
Practical BPR - Implementation Issues
2nd Annual Conference of the BPR Study Group (200+ members)
New (never disclosed before), recently successful Case studies presented with interactive sessions from senior management and practitioners. Lively discussions and demonstrations including speakers from Citibank International, Nationwide Building Society, Alliance and Leicester, Capital Home Loans, Pickfords and more.
Contact: Steve Towers, Hanson Associates
Tel: +44 (0) 941 120118
Fax: +44 (0) 608 663829
LONDON

OCTOBER 26 & 27
How To Grow Your Business Using Market Research
Information is becoming fundamental in the running of a business through the use of technology. This two day seminar will show you how to get the best out of research and the real reasons for using it.
Contact: International Professional Conferences Ltd Tel: 061 445 8623
LONDON

OCTOBER 26 - 27
BPR 94: Re-engineering, Process Management and Performance Improvement
Europe's leading conference and exhibition devoted to exploring how to apply business re-engineering strategies to achieve quantum leaps in corporate performance. Designed to meet the needs of your whole re-engineering team, from executive sponsor to those involved in planning and implementing projects.
Contact: Business Intelligence
Tel: 081 543 6565 Fax: 081 544 9020
LONDON

NOVEMBER 8-9
QUANTITATIVE AND COMPUTATIONAL FINANCE
2 day seminar hosted by the US Embassy. US and UK experts and practitioners review a range of novel quantitative models applied to the finance and securities industries. Derivatives; options; yield curves; successes, failures and experiences will be discussed.
Contact: UNICOM Seminars
Tel: 0895 256484 Fax: 0895 813095
LONDON

EXHIBITIONS

SEPTEMBER 12 - 18
GCC & Britain '94 Exhibition
Over 350 of the Gulf States most successful businesses will all be under one roof, all ready to talk business at Olympia 2. 10.00 am - 6.00 pm. Daily.
For tickets/information contact: Arab-British Chamber of Commerce, 6 Belgrave Square, London SW1X 8PH
Tel: 071 235 4363 Fax: 071 245 6688
LONDON

INTERNATIONAL

SEPTEMBER 5-6
1st Financial Services Conference for Latin America
Theme "Strategies for Buoyant Market". A regionally-focused briefing, presented by a unique panel of international experts, on the trends and issues in financial services in Latin America. Topics include retail banking, delivery & card strategies, private banking, investment management.
Enquiries: Lafferty Conferences
Tel: +353 1 6718022 Fax: +353 1 6713594
BUENOS AIRES

SEPTEMBER 14 & 15
1st EU/EEA Intellectual Property and Competition Law Symposium
This major event will review recent developments in intellectual property rights and update on competition law. A high quality panel of speakers with considerable expertise in their field of law have been brought together for this symposium.
For details contact International Professional Conferences Ltd,
Tel: 061 445 8623
STOCKHOLM

SEPTEMBER 29 & 30
FT International Banking
This major forum, preceding the annual IMF and World Bank meeting, will debate the outlook for banking and provide an opportunity to debate a wide range of issues of current concern to the international banking community.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
MADRID

OCTOBER 17-18
Trans-European Networks
in road, rail, telecommunications, water, electricity and gas. Financing models, single procurement market, interoperability, public-private coordination. Speakers include: Henning Christophersen (EU Commission), Sir Brian Unwin (EIB), Rolf Bierhoff (RWE Energie), Hans Henning Offen (WestLB), Spiros Agius (GTM-ENTP), Burckhard Bergmann (Ruhrgas).
Enquiries:
HANDELSBLATT/EUROFORUM
Tel: 49/211/9686-441
Fax: 49/211/9686-502
FRANKFURT

OCTOBER 19-20
Plain English Campaign's
3rd International Conferences
Washington DC
Telephone (0663) 744409 for details
WASHINGTON

OCTOBER 26 & 27
FT India's Economic Renaissance
This high-level FT conference will provide a unique opportunity to review the government's liberalisation programme and assess future prospects for business and investment.
Enquiries: Financial Times
Tel: 081 673 9000 Fax: 081 673 1335
DELHI

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Gerard Baker in Tokyo

Japan in the doldrums

The torpor induced by Japan's hot summer seems to have left the stock market becalmed. Since the end of June, the Nikkei has traded in an exceptionally narrow range between 20,000 and 21,000.

Trading volumes, though still higher than they were in the dog days of 1992-93, have dipped to 300m shares a day on average, as investors and traders alike have succumbed to the lethargy.

But the summer stasis owes more to harder economic facts than it does to the heat. The key lies in the financial lassitude of domestic investors.

Share prices surged in the first half of the year, as foreign investors sensed a bargain. Japan was hovering on the brink of recovery, the yen was surging, and the rest of the world's stock markets were plunging, a treble chance that made Tokyo stocks understandably popular with foreigners.

But in the course of the summer, that momentum has been lost as profit-taking has set in. After six straight months of heavy buying, foreigners became net sellers at the start of July. What is left is the uncomfortable truth, hidden by the foreign-led surge, that Japan's domestic investors have been equity-shy.

In the first six months of 1994, while foreigners shopped for shares, domestic corporations recorded net sales of Y3.2 trillion of equities on the first section of the Tokyo Stock Exchange. Individuals, who have been net sellers of stocks for all but one of the past 12 months, sold a net Y710bn worth of shares. Over the summer, the figures have changed little.

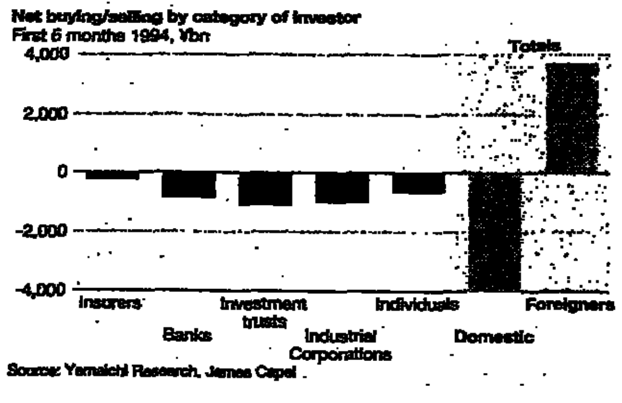
If the yen has indeed peaked, and if 1994's global bond and equity rout has been brought to an end, the prospects for a resumption of Tokyo's bull market will depend heavily now on those investors rediscovering the charms of the Japanese blue chips.

There is little evidence that this will happen soon. The main categories of investor remain very shy of a market which has burned them badly in the past few years. One broker says his domestic clients are so despondent they have no serious plans to buy equities "for the rest of the century".

This is probably overdoing it. The past two months have seen a little nibbling at the market by some of the main investors, notably banks and individuals. But the prospects for large-scale buying by the institutions is minimal. Investment trust average equity weightings have been rising, but at over 65 per cent analysts think they now stand close to, or even above, their natural ceilings.

Japanese equities

Net buying/selling by category of investor
First 6 months 1994, Ybn



Source: Yamaichi Research, James Capel

Total return in local currency to 18/8/94

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.08	0.04	0.09	0.10	0.16	0.10
Month	0.38	0.18	0.41	0.47	0.70	0.43
Year	3.50	2.78	5.94	5.94	8.31	5.50
Bonds 3-5 year						
Week	0.35	0.06	0.04	-0.81	-2.71	0.04
Month	-0.22	-1.14	-1.36	-1.97	-3.81	-1.38
Year	-0.61	2.41	3.61	1.07	0.69	0.51
Bonds 7-10 year						
Week	0.59	0.24	0.17	-2.71	-3.60	0.38
Month	-0.30	-1.81	-2.45	-3.81	-6.68	-2.06
Year	-3.34	1.47	0.23	0.69	-4.73	-3.38
Equities						
Week	0.9	0.0	0.0	-1.2	-4.0	1.3
Month	2.1	0.1	2.4	0.3	-6.9	3.9
Year	4.3	0.6	10.5	-0.7	2.4	7.8

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Life insurers, hit by a steep decline in their return on assets that has rendered most of them technically unable to meet their liabilities, are still aggressively reducing their risk exposure. Nippon Life, the country's largest institutional shareholder, recently declared its intention to unload another Y315bn in equities.

Industrial corporations, many of them engaged in restructuring programmes, are in no mood to return to the zaitech so fashionable in the 1980s. They have been net sellers of shares for the past 16 consecutive months.

The really troubling element has been that these risk-averse investors have chosen to keep their funds in cash. Despite historically low short-term interest rates of less than 3 per cent, institutional cash weightings rose from 25 per cent to 32 per cent early this year, falling back only slightly in the spring. If the next move in official interest rates is upwards, the prospect of a significant shift back to equities will remain slim.

The caution among the Japanese is understandable. The market's recovery in the first half of the year heavily discounted a big corporate earnings recovery in the current fiscal year, after four consecutive annual falls. In the spring, forecasters were expecting a pre-tax profits rebound of about 20 per cent this year. A stubbornly high yen has already forced most of them to revise that to less than 15 per cent. The preternaturally more cautious Japanese forecasters are now expecting profit increases in single figures in percentage terms.

These poor profits presentiments are pushing valuations sharply higher. Prospective p/es, though not wholly reliable measures of value in Japan, are back to historic highs, as are earnings/yield ratios.

■ Japan Telecom

Lack of institutional demand is unlikely to be a problem when Japan Telecom, one of the country's three long-distance operators, comes to market next month.

Only two other large telecommunications companies, NTT and DDI, are currently listed, and both have outperformed the market impressively this year. JT's entry into this limited market plus global enthusiasm for anything that passes for "multimedia" is likely to ensure a good reception.

Moreover, just 10 per cent, or 34,000 shares in the company, are being offered to investors this week - half of them in Thursday's auction that will set the price, the other half in a direct offering immediately afterwards.

The issue has attracted additional interest because it is the first initial public offering ever to involve a separate international tranche. 5,000 of the shares will be offered to international investors. Bids must be received by close of business in London on Friday.

Investors are limited to five shares each, a hangover from the Recruit shares-for-favours political scandal of the late-1980s. At a minimum bid price of Y2.41m, the "five share rule" is a mite restrictive, so activity in the secondary market is likely to be brisk.

But longer-term prospects are more doubtful. Though the company has the particular advantage of its own information super-railway - it was originally the telecommunications arm of Japan Railways, and JR still owns 50 per cent of the company - competition in the long-distance field is strong and growing. In addition to JT, DDI, and Teleway Japan are fast-growing operators.

Earnings have been under pressure in the past year as competition has forced price cuts. The company already lags behind DDI in the cellular phone business, and as yet no-one quite seems to know what it is going to send along its much-vaunted fibre-optic cables.

Stronger competition in these core businesses is likely to squeeze further JT's profit margins. Not that that will worry those lucky enough to win a ticket in the JT lottery this week.

Economics Notebook

Lessons for UK training

Human capital investment may be everybody's favourite economic cure-all, but applying the prescription to the UK seems an increasingly thankless task. Attacked from all sides, the government's training policy is partly the victim of a longstanding ambivalence about the state's role which has yet to be resolved.

Mr Michael Portillo, the new UK employment minister, was widely criticised last month for proposing to halve the £4bn his department spends on training. Yet the two central ingredients of training policy hardly received ringing endorsements in the weeks that followed.

The Training and Enterprise Councils, established in 1990 to implement much of the government's training programme, are ill-managed squanderers of public funds, according to an Unemployment Unit study of London Tecs. And as for the much-fanfared system of national vocational qualifications, an article published in the National Institute's latest Quarterly Review* found them an "inappropriate" and "inequitable" response to the UK's training problems.

Could Mr Portillo be right in suggesting the government effectively cede that it can do little to improve training?

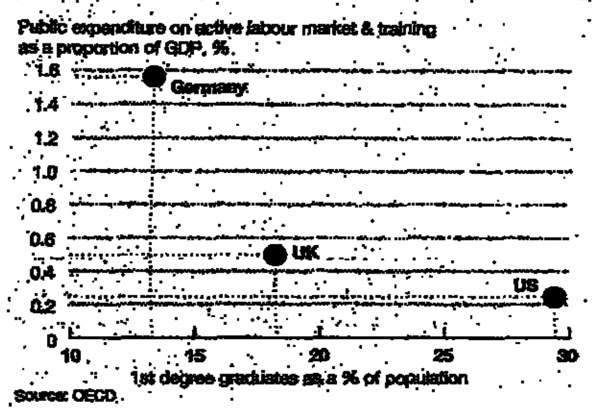
At the Detroit Jobs Conference in March, his predecessor at the Department of Employment joined his G7 colleagues in signing a statement favouring efforts to equip the workforce with the right skills to compete for jobs.

All the participants admitted that they had difficult choices ahead in deciding how best to reform their approach. But the difficulty facing Mr Portillo is that the theory guiding the UK approach has always been especially muddled.

Of the philosophies of state intervention in training represented in Detroit, the German and American varieties seem especially relevant to the UK's current plight.

Two approaches to education and training

Public expenditure on active labour market & training as a proportion of GDP, %.



Source: OECD.

Essentially, the US forgot about "training" and went for an education-based strategy to invest in human capital. No US administration has ever tried to build a "system" of government involvement in individuals' or companies' employment decisions. Heavily subsidised student loans allowed a large segment of the population to go to college.

The rest was up to that familiar US formula of individual, and corporate, enterprise.

In Germany, government training policies were no mere educational matter, but built on an active system of labour market involvement by the state. Fewer young people receive general academic degrees than in the US, but many more pupils stay on to receive narrower vocational qualifications.

Unions, central and local government and business associations have traditionally worked together to determine the provision of training for each part of the workforce.

As the accompanying chart confirms, the UK has not decisively opted for either model in the past.

Governments have launched a succession of different strategies, with decidedly mixed results. But the country has never decided whether training is primarily a matter of education or employment policy.

Few would suggest that the UK now rush to take a "German" or "American" stand on the question, even if such a late conversion were possible. Indeed, both countries are now seeking to amend their answers in important ways.

In Germany, many feel that a heavy emphasis on vocational qualifications produces an inflexible workforce. In the US, the fear is that a 30 per cent graduation rate leaves too many out of the equation altogether.

Does this mean that the UK is now perfectly placed for a mixed approach, one which avoids all the pitfalls? The government appears to be aiming at just such a blend: boosting the number of graduates while introducing "modern apprenticeships" and NVQs.

Changing established habits, however ill-defined, will be a long process: Mr Portillo should certainly draw this conclusion from experiences elsewhere if he does not not know it already. But the American and German experiences could hold deeper warnings for the strategy as a whole.

The cautionary tale from the US is social. Graduates earn hefty wage premiums in later life, but an economic and social chasm has developed between graduates and unskilled "high school drop-outs", whose real wages have fallen steadily over the past 20 years.

Recent German experience hints at a rather different lesson: letting nearly everyone get some kind of qualification does few favours to those who are taught to work in a highly specific, possibly declining, line of work.

Britain's mixed approach may attempt to avoid these pitfalls but the authors of the National Institute study find little evidence to suggest that the "third way" promises to be a fruitful one.

Explicit and implicit education expenditures remain skewed towards university, and pre-university, students. At the same time, in the building trade, at least, they find that the 16-18 year-olds not queuing for college places are acquiring NVQs which are too narrow to permit "the flexibility or career development in later years which the economy and technology increasingly demand".

Eclecticism, in other words, seems to be delivering the flaws of both systems and the benefits of neither.

**Shifting Foundations: the Impact of NVQs on Youth Training for the Building Trades. Steedman H and Hawkins J, NIESR, Aug 1994.*

Stephanie Flanders

COMMODITIES

Richard Mooney

Go-ahead for platinum mine

Zimbabwe's biggest foreign investment project since independence, the US$200m Hartley platinum joint venture, will be given the final go-ahead on Wednesday when the minister of mines formally signs the special mining lease and mining agreement on behalf of the government.

Two Australian groups, Broken Hill Proprietary and Delta Gold, are behind the project to dig the biggest platinum mine in the western world outside South Africa, capable of producing 150,000 troy ounces a year. Mr Robert Mugabe, Zimbabwe's president, is expected to turn the first turf at the mine site on September 9.

Elsewhere, the International Natural Rubber Organisation is holding a meeting today at its Kuala Lumpur headquarters to review the buffer stock operations with which it tries to stabilise rubber prices within a pre-determined range. The review is mandatory under the rules of the International Natural Rubber Agreement following the sale of 100,000 tonnes of stockpiled rubber in an attempt to damp down rising prices.

Tomorrow, also in Kuala Lumpur, the Association of Natural Rubber Producing Countries will meet to decide on its response to any action agreed at today's session. ANRPC members have been unhappy over the refusal of Inro's consuming country members to consider a rise in the Inra target range in the light of the market's recent strength and have threatened to set up their own price support system.

Today also sees the publication of aluminium production figures for July covering members of the International Primary Aluminium Institute. This will give a further indication of progress with the output-cutting agreement reached by leading producing countries in January.

On Thursday the International Wheat Council is to publish its monthly Market Report, giving its latest assessment of world-wide production and consumption prospects for wheat and coarse grains.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 19 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY AUGUST 18 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	174.13	4.3	166.75	108.40	139.38	156.78	-4.1	3.51	175.36	168.21	108.77	140.91	157.47	189.15	139.24	146.26
Austria (17)	193.81	4.8	185.58	120.64	155.13	155.06	-6.9	1.03	193.74	185.84	121.27	155.67	155.68	195.41	164.64	168.54
Belgium (37)	175.85	8.1	168.39	109.46	140.75	137.64	-5.1	4.02	175.71	168.54	109.98	141.19	138.20	178.78	143.62	152.50
Canada (104)	129.65	-4.5	124.15	80.70	103.77	129.15	-0.8	2.62	128.95	123.70	80.72	103.62	126.80	145.31	120.54	126.11
Denmark (33)	264.33	6.9	253.12	164.54	211.57	219.22	-4.0	1.35	263.15	252.42	164.72	211.45	219.74	275.79	220.58	226.90
Finland (24)	168.98	37.2	161.81	105.18	135.25	179.39	19.8	0.78	163.00	156.35	102.03	130.98	175.25	168.98	104.28	118.56
France (97)	176.08	0.1	168.62	109.61	140.94	145.93	-10.5	3.02	175.90	168.73	110.11	141.34	146.52	185.37	159.34	163.06
Germany (58)	147.75	5.3	141.48	91.97	118.26	118.26	-6.6	1.74	147.63	141.62	92.41	118.63	118.63	147.75	121.78	124.65
Hong Kong (56)	383.58	-21.6	367.33	238.77	307.04	380.53	-21.6	3.18	388.80	372.95	243.37	312.42	385.73	508.58	288.78	300.13
Ireland (14)	198.01	6.9	189.62	123.26	158.50	182.83	-1.3	3.39	201.65	193.43	126.22	162.04	186.36	209.33	161.54	171.67
Italy (59)	80.49	17.4	77.08	50.10	64.43	94.42	7.7	1.64	77.57	74.41	48.56	62.33	91.74	97.78	57.88	76.24
Japan (469)	166.66	28.1	159.60	103.74	133.40	103.74	13.0	0.74	167.77	160.93	105.01	134.81	105.01	170.10	124.54	158.86
Malaysia (87)	560.39	-5.3	536.63	348.83	448.56	550.08	-10.4	1.48	557.55	534.83	349.00	448.02	548.55	621.69	375.13	375.13
Mexico (18)	2277.91	-4.6	2181.33	1417.94	1823.28	8421.80	3.9	1.59	2276.11	2183.31	1424.73	1828.94	8426.34	2647.06	1615.11	1703.44
Netherland (27)	214.04	7.5	204.97	133.23	171.32	169.89	-4.3	3.37	214.05	205.33	133.99	172.00	169.55	214.54	178.50	179.47
New Zealand (14)	70.84	4.3	67.84	44.10	56.70	62.77	-2.6	3.81	71.38	68.47	44.68	57.36	63.08	77.59	59.22	62.98
Norway (23)	208.79	16.2	199.94	129.96	167.12	192.05	4.7	1.72	206.95	198.51	129.54	166.29	191.22	211.74	165.52	173.69
Singapore (44)	364.85	-0.7	349.38	227.11	292.04	252.62	-7.3	1.67	366.00	351.08	229.10	294.10	253.67	378.92	276.28	276.28
South Africa (59)	303.40	13.6	290.53	188.88	242.84	296.42	18.3	2.11	306.44	292.98	191.19	245.43	297.41	305.44	175.93	200.63
Spain (42)	142.02	1.9	136.00	88.40	113.68	138.82	-8.0	4.15	141.52	135.75	88.58	113.71	139.32	155.79	128.88	133.11
Sweden (36)	215.28	9.6	206.16	134.01	172.32	245.84	1.5	1.62	212.20	203.55	132.83	170.52	245.06	231.35	175.83	192.88
Switzerland (47)	162.77	1.6	155.86	101.32	130.28	130.45	-11.6	1.86	163.51	156.84	102.35	131.38	131.89	178.56	133.67	134.67
United Kingdom (204)	201.68	-1.8	193.13	125.54	161.43	193.13	-6.0	3.93	200.84	192.66	125.72	161.39	192.66	214.96	181.11	188.00
USA (519)	189.42	-0.2	181.39	117.91	151.61	189.42	-0.2	2.84	189.23	181.52	118.45	152.05	189.23	196.04	178.95	186.68
EUROPE (718)	174.06	3.3	166.62	108.31	139.27	155.06	-6.1	2.99	173.24	166.18	108.44	139.20	155.01	178.58	153.98	155.93
Nordic (116)	214.67	13.3	205.57	133.62	171.82	207.84	2.9	1.42	211.42	202.80	132.34	169.88	206.76	222.03	173.19	182.49
Pacific Basin (748)	175.43	20.9	167.98	109.20	140.42	114.31	6.1	1.05	176.59	169.39	110.54	141.90	115.60	176.86	134.79	162.84
Euro-Pacific (1466)	174.70	12.7	167.29	108.74	139.83	130.63	1.7	1.87	175.05	167.91	109.57	140.66	131.47	175.05	143.88	159.89
North America (623)	185.71	-0.4	177.84	115.60	148.65	185.29	-0.3	2.83	185.49	177.93	116.11	149.05	185.09	192.73	175.67	182.98
Europe Ex. UK (514)	155.40	5.3	148.81	96.73	124.38	133.01	-6.0	2.44	154.70	148.39	96.89	124.31	133.14	158.12	134.07	136.80
Pacific Ex. Japan (279)	261.63	-8.8	250.54	162.86	209.42	233.04	-12.7	2.78	263.30	252.57	164.81	211.57	234.48	298.21	199.12	202.40
World Ex. US (1647)	176.04	11.9	168.58	109.58	140.91	134.26	1.9	1.89	176.37	169.18	110.40	141.72	135.08	176.37	145.58	160.12
World Ex. UK (1962)	177.29	8.2	169.77	110.36	141.90	147.35	1.8	2.03	177.54	170.30	111.13	142.66	147.99	177.54	155.96	166.02
World Ex. So. Af. (2107)	178.67	7.3	171.09	111.21	143.01	150.38	0.9	2.22	178.61	171.52	111.93	143.69	150.92	178.61	158.54	167.86
World Ex. Japan (1697)	188.47	0.4	180.48	117.32	150.85	179.18	-3.1	2.86	188.16	180.49	117.78	151.19	179.16	195.20	173.87	174.86
The World Index (2166)	179.44	7.4	171.84	111.70	143.63	151.45	1.1	2.22	179.60	172.28	112.42	144.32	152.00	179.60	158.85	167.96

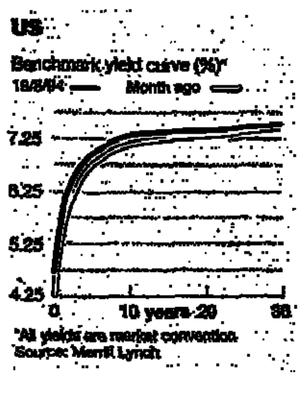
Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local). Constituent changes during the week ending 19/8/94: Deletions: Bow Valley (Canada), Consolidated Plantations and Italcable (Ordinary and Savings N/C) (Italy). Name changes: SIP (Ordinary and Savings N/C) to Telecom Italia (Italy). Constituent change with effect 23/8/94: Share traction change: Irish Life (Ireland) 0.66 to 1.0.

WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins

As expected, the Federal Reserve moved aggressively against inflation last week by pushing short-term interest rates up ½ percentage point. This was just what the bond market wanted, because anything less would have been seen as insufficient to stifle the threat of inflation. Initially, bond prices rose. However, within a couple of trading sessions the gains were wiped out as the market became spooked by fresh inflation fears. The concerns stem partly from data in the Philadelphia Federal Reserve's August Business Outlook Survey and partly from another pasting for the dollar.

Consequently, the market is already fixated on the question of how long it will be before the next interest rate rise becomes due. Traders tend to the view that the Fed will hold back at least until November, which should help support the market for the time being. However, the risk remains that the least sign of inflationary pressures could batter prices.



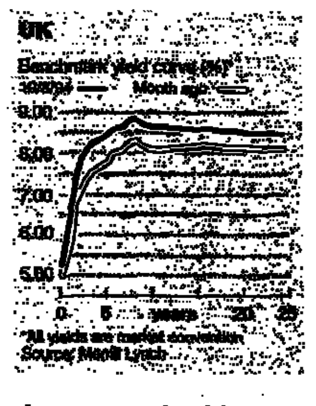
Will that happen this week? Probably not, for there is little economic data for investors to get their teeth into. Figures on Wednesday are expected to show that new orders for durable goods edged up 0.4 per cent in July, while Salomon Brothers believes revised GDP data could show a rise of 4.2 per cent in the second quarter, 0.5 percentage points higher than the provisional figure of 3.7 per cent.

LONDON — Philip Coggan

After a glut of economic data last week, statistics are thin on the ground over the next few days and the gilt market is likely to be prey to international influences.

For Mr Nigel Richardson, head of bond research at Yamaichi International (Europe), the key question is why the gilt market failed to respond more positively last week, in the face of better-than-expected public sector borrowing requirement and inflation figures.

One factor which may be responsible, according to Mr Richardson, is the fear that the the yield spread against German bunds is unattractive. Ms Katy Peters, senior economist at Daiwa Europe, thinks that Germany is likely to be the main influence on the gilts market. "There is quite a lot of bund supply due over the next few weeks" she says. Ms Peters also expects investors to watch the US, where she thinks second-quarter gross domestic product figures will show an upward revision, to an annualised rate of 4.4 per cent.



In Britain, the two main numbers are today's second quarter gross domestic product figures, which are expected to confirm the earlier estimate of 0.9 per cent quarter-on-quarter growth and Friday's monthly trends survey from the Confederation of British Industry, which will be scrutinised carefully for indications of manufacturers' pricing plans.

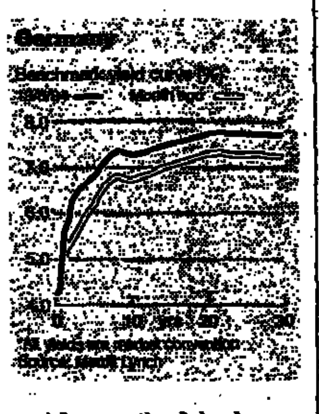
FRANKFURT — Christopher Parkes

The Bundesbank disappointed the market again last week by failing to return to variable rate repos. Instead, by ordering two more rounds of fixed-rate tenders at an unchanged 4.85 per cent, it demonstrated that it remained on guard against inflation.

Provisional cost-of-living figures, due this week, are expected to nudge back over 3 per cent. While economists have already written this off as a temporary blip in the steady down-trend, they acknowledge that the shift towards the Bundesbank's 2 per cent ideal is decelerating.

Since the German bond market and the economy appear to be recovering without any central bank intervention – the last discount rate cut was made more than three months ago – there appears to be no urgency about the next step.

Meanwhile, the bank has to contemplate the disruptive potential of two important domestic rituals looming in the next few months: federal elections and the annual wages round.



While neither will have an immediate monetary effect, there is no accounting for the impact on sentiment as the campaigning gets under way. There are also disturbing signs that unions are pushing for a return to real income growth in defiance of the Bundesbank's insistence that years of anti-inflationary restraint are needed.

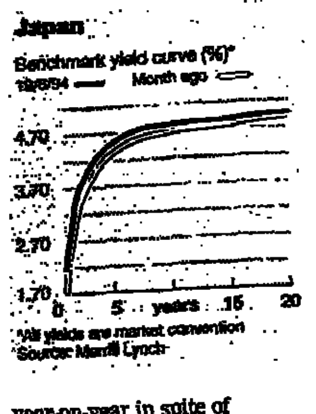
TOKYO — Emiko Terazono

Stabilisation of global bond markets, appreciation of the yen, and accommodative money market manoeuvrings by the Bank of Japan helped Japanese bond prices last week.

Trading ahead of the September book closing – profit-taking and a switch from listed bonds to unlisted euroyen paper and bank debentures – is expected to weigh on bond prices this week. But expectations of economic recovery, which have been keeping investors away, are showing signs of a retreat.

Many analysts believe that since recovery will be slow, and deflationary pressures will persist, the bond market sell-off has been overdone. Although consumption has been boosted by the hot summer weather and income tax cuts, the effects could soon wear off. The continued rise in the yen is also a threat against corporate earnings.

Last week the July department store sales fell year-on-year in spite of expectations of a rise. July supermarket sales due this week may reveal the extent of continuing deflation, while August consumer price index figures are likely to endorse expectations of low inflation over next few months. The consumer price data is expected to fall from the previous year, for the second consecutive month, with core inflation confirming a downward trend.



Capital & Credit / **Antonia Sharpe**

Bankers revise bund yield forecasts

The Bundesbank obviously did not like what it saw when it came back refreshed from its four-week summer vacation – a rise of some 40 basis points in 10-year bund yields to more than 7.2 per cent and a market teetering on the brink of a nervous breakdown at the prospect of a sudden rise in German interest rates.

By leaving leading interest rates alone and extending its fixed rate of 4.85 per cent for the next two repurchase agreements (repos), the central bank administered the equivalent of a heavy dose of valium.

It also hoped to free the market from its fixation with the very short end of the yield curve with its public put-down of money-market funds which accompanied its decision to halt regular issues of its "Buli" liquidity paper.

However, it remains to be seen whether the Bundesbank's tactics will convince its deeply sceptical audience that there is value in longer-dated bunds. Investors clearly believe that German interest rates are close to or even at the trough of their current cycle and after being hopelessly wrong-footed in other markets for much of this year, they want to be positioned correctly for this turnround.

To be on the safe side, brokers are continuing to urge their clients to shorten the duration of their portfolios to less than five years, from where they will stand to benefit the most if German short-term rates turn upwards. They are also revisiting their yield forecasts, which are once again looking over-optimistic.

In the past week, both Deutsche Bank and Swiss Bank Corporation have revised up their 12-month forecasts on 10-year bund yields, by 30 basis points to 7 per cent and by 50 basis points to 6.25 per cent respectively. Union Bank of Switzerland is also believed to be in the process of nudging its forecasts higher.

Fund managers are coming up with similar views. In its latest economic and investment commentary, Legal & General Investment Management says it will remain underweight in global bonds because it believes that the global bond yield will continue to rise over the medium term. It predicts that it will reach 8 per cent in 12 months' time, compared with around 7 per cent currently and a trough level of 5.4 per cent in January.

There have also been reports that fund managers are using any price rebound in European government bond markets to reduce drastically their fixed-income allocations, in some cases by as much as half, and switch the proceeds into equities instead.

Their actions may well be justified on fundamental grounds. Although analysts applauded the Bundesbank last week for postponing any decisions on interest rates until the market's nerves were less frayed, at the same time they noted that it had no compelling reason to lower interest rates.

"The Bundesbank was not under pressure to act, in view of the stronger economic growth in Germany and the rate hikes in Sweden and Italy," said Mr Helmut Kaiser, senior economist at Deutsche Bank in Frankfurt. "There will be a chance for a further rate cut if there is better news on inflation or if pan-European currency tension increases."

Even the release last week of pleasing M3 money supply data for July did not justify a rate cut since they showed that bank lending growth was at its highest level for eight months.

The Bundesbank may also have been reluctant to move on interest rates ahead of the cost of living number for August which could disappoint. Although the consensus forecast is for no change month-on-month, which would leave the yearly rate at 2.9 per cent, the price rise in oil and petrol and in other commodities, notably coffee, could push the rate back to 3 per cent.

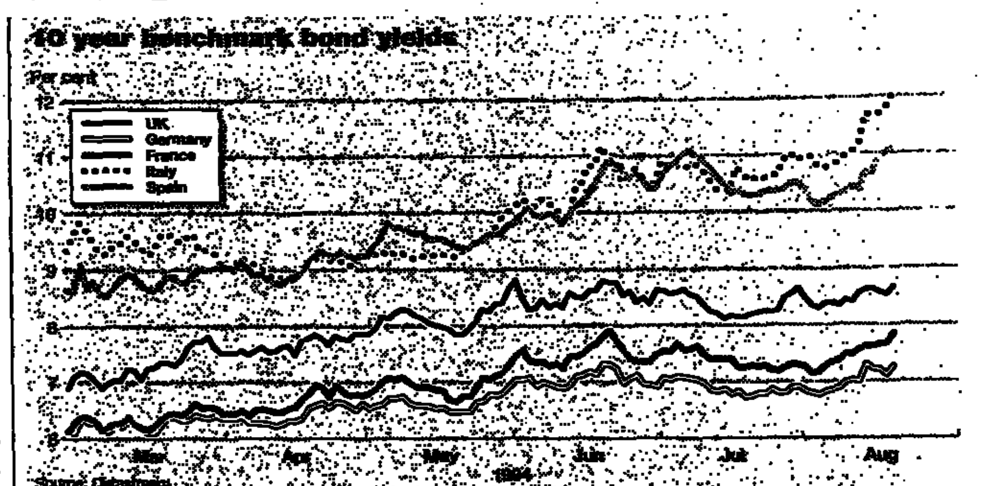
The cautious stance towards bond markets comes at a difficult time for the Bundesbank in view of the heavy issuance programme which lies ahead. But three things may yet turn the situation to its advantage.

Firstly, despite its solid performance against the dollar and other leading currencies this year, the safe-haven quality of the D-Mark could well encourage investors to increase their holdings of D-Mark assets in the near term. "The D-Mark is at the top of the heap," said Mr Neil MacKinnon, chief economist at Citibank, adding that it would appreciate further if the ruling CDU party remains in power after the federal elections.

Secondly, there is evidence that in the second quarter, domestic non-bank investors increased their purchases of bunds, attracted by their current yields of more than 7 per cent. Analysts believe this trend will to continue.

Thirdly, a minority-held view that yields will stabilise at current levels could triumph over the more bearish forecasts, in which case fund managers who took refuge in cash and shorter-dated paper will have to dash back to the long end in order to avoid underperforming their benchmark indices.

"Fund managers have a big problem now that yield curves are so steep," says one fund manager. "You can't get the same return on cash as you can on longer-dated bonds unless short-term rates rise quickly."



INTEREST RATES AT A GLANCE

	US	Japan	Germany	France	Italy	UK
Discount	[illegible]	1.75	4.50	[illegible]	7.50	5.25*
Overnight	4.56	2.09	4.75	5.25	7.75	4.50
Three month	4.65	2.25	4.75	5.56	9.00	5.37
One year	5.68	2.56	5.25	6.21	10.70	5.75
Five year	6.92	3.97	6.79	7.40	12.42	8.38
Ten year	7.27	4.57	7.24	7.88	11.92	8.64

*[illegible]

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102-25	102-28	+0-09	103-00	102-14	388,527	342,582
Dec	102-00	102-01	+0-02	102-07	101-18	12,834	103,419
Mar	101-13	101-10	+0-02	101-15	100-28	20	4,917

LEGAL NOTICES

No. 004419 of 1994

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
MR REGISTRAR BUCKLEY

IN THE MATTER OF HALVANON INSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

ADVERTISEMENT

NOTICE IS HEREBY GIVEN that by an Order dated 19th July 1994 the Court has directed a Meeting of the Creditors whose claims arise from transactions entered into with the London Office of the above-named Company (as defined in the Scheme of Arrangement hereinafter mentioned) to be convened for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the said Company and such creditors and that such Meeting will be held at the Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY, England on 19 October 1994 at 10.30 o'Clock in the forenoon at which place and time all the aforesaid creditors are requested to attend.

Any person entitled to attend the said Meeting can obtain copies of the said Scheme of Arrangement, Form of Proxy and copies of the Statement required to be furnished pursuant to Section 426 of the above-mentioned Act at the UK Registered Office of the Company situate at St Andrew's House, 20 St Andrew Street, London EC4A 3AY and at the office of the undermentioned Solicitors at the address mentioned below during usual business hours on any day (other than a Saturday, Sunday or bank holiday) prior to the day appointed for the said Meeting.

The said creditors may vote in person at the said Meeting or they may appoint another person, whether a creditor or not, as their proxy to attend and vote in their stead.

It is requested that forms appointing Proxies be lodged with the Company's English Joint Liquidators at their office situate at St Andrew's House, 20 St Andrew Street, London EC4A 3AY, England, Ref: PD/SA 5.12 not less than 48 hours before the time appointed for the said Meeting, but if forms are not so lodged they may be handed to the Chairman at the said Meeting.

By the said Order, the Court has appointed Malcolm John London or failing him Gerhard Adolf Weiss, or failing both of them, Philip John Singer (all of the aforesaid St Andrew's House) to act as Chairman of the said Meeting and has directed the Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 22nd day of August 1994.

D J Freeman
43 Fetter Lane
London EC4A 1NA
Solicitors for the above-named Company

International / **Tracy Corrigan**

Securitisation: a viable financing option

Earlier this month, GPA, the aircraft leasing company, completed a $1bn securitisation of its aircraft lease portfolio. The issue, called Alps 94-1, is the second of its kind by GPA and one of only a handful of similar repackagings of aircraft leases.

Securitisation allows companies to remove assets from their balance sheets by repackaging them as securities, with interest payments serviced from the cashflows on the assets.

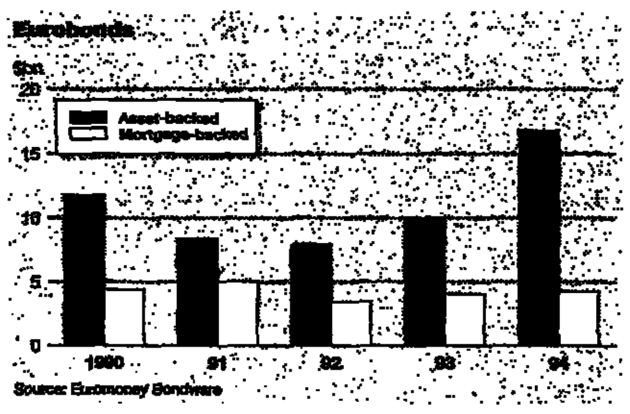
In the US, mortgage-backed securities are a $1,000bn market, and a broad range of other assets, from credit card receivables to car dealers' loans, have been securitised.

In Europe, the market has been much slower to take off, partly because there are fewer large homogeneous pools of suitable assets. The largest market in Europe, the UK mortgage-backed sector, has faltered due to the weakness of the housing market.

However, the Alps deal is an example of the applications of securitisation to niche areas such as aircraft financing, and may point the way towards the development of a smaller, more structured market for securitisation in Europe.

The decline in the credit quality of airlines in recent years has made it increasingly difficult for them to secure funding through conventional aircraft lease financing. In particular, the appetite of Japanese institutions for leveraged lease transactions has shrunk.

"The banks and other specialised financial institutions which have traditionally financed the airline industry are reviewing their exposure, retrenching and in some cases withdrawing altogether," says Mr Ian Falconer, head of securitisation at Freshfields, the City law firm. "A full-scale securitisation re-characterises the perceived risks away from the particular industry in to a homogeneous tradeable instrument with a prime credit rating."



The result is that securitisation – where credit ratings are based on the quality of the assets and the structure of the transaction – suddenly appears an economically-viable option. The senior tranche of the Alps deal pays interest of 48 basis points over Libor, compared with a spread of up to 100 basis points which would have been needed for conventional financing, according to bankers. "Some of these credits could not be done at over 100 basis points in the bank-funded market," said one banker.

However, few companies have the right sort of characteristics to benefit from transactions such as the Alps deal. Because GPA is a lessor, rather than a lessee, it can offer the substantial diversification needed to complete a public offering of securities.

Most airlines cannot offer such diversification, and therefore any deals are likely to be completed as private placements, with a more specialised group of investors. However, some deals will be done by grouping airlines together and pooling their leases to create the necessary diversification. Others will be done as individual credits, based on the recovery value of the aircraft and backed by an 18-month liquidity facility (for long-term financings of 10-12 years).

There is likely to be a growing number of transactions, although most will not be publicised. "The fact is that there is an ageing fleet out there and there will be an increasing need to purchase new aircraft," said Mr Guy Hands, executive director, European securitisation, at Goldman Sachs.

There is also likely to be an increase in activity in other more esoteric areas. Airlines unable to securitise their leases are trying instead to securitise the receivables from ticket sales, for example.

"We are working on some of the strangest beasts, securitising things like chemical and petroleum products and shipping leases," said a securitisation specialist at one bank in London.

Bankers are also working on securitising commercial property loans, particularly in areas like France and Scandinavia, where banks are weighed down by illiquid loans.

Among the other assets being securitised in private transactions are trade receivables in southern and east European countries and other developing countries. The notion of pooling small groups of assets has already been successfully used in the asset-backed commercial paper market. In recent years, several European banks, including NatWest, Deutsche and UBS, have set up conduit vehicles, backed by clients' receivables, which issue commercial paper in the US market.

The market for asset-backed securities may never become the liquid, highly-traded market it is in the US, but a more structured market may be evolving.

Its importance, according to Mr Falconer, is that it "enables originators to diversify away from their traditional bank sources of finance into the capital markets, in circumstances where the originator would be unable to access the capital markets in its own name and on the strength of its own balance sheet. This is particularly important for originators in sectors which are out of favour with the banks, or in respect of which the banks are already fully lent".

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Halifax Building Society‡	500	Sep.1999	(a)	99.845R	-	-	HSBC/Lehman Brothers
FUCCMT 5.1994-5, Cls A(c)‡	500	Apr.2000	(c1)	100.00R	-	-	Merrill Lynch Intl.
FUCCMT 5.1994-5, Cls B(c)‡	39.2	Apr.2000	(c2)	100.00R	-	-	Merrill Lynch Intl.
FUCCMT 5.1994-6, Cls A(c)‡	750	Oct.2003	(c3)	100.00R	-	-	Merrill Lynch Intl.
FUCCMT 5.1994-6, Cls B(c)‡	58.4	Oct.2003	(c4)	100.00R	-	-	Merrill Lynch Intl.
SMAC, Class A(d,e)	180	Aug.1999	10.00(f)	95.625R	11.17	+425(6⅞%-99)	Kidder Peabody Intl.
SMAC, Class B(d,e)★	40	Aug.1999	10.00(f)	92.94	11.93	+500(6⅞%-99)	Kidder Peabody Intl.
CKO(k)‡	80	Aug.2001	(g1)	100.00	-	-	Sanwa International
YEN							
Kingdom of Denmark(k)	25bn	Jan.1997	3.00	99.99R	-	-	Daiwa Europe
Kingdom of Denmark	25bn	Mar.1998	zero	95.19R	2.629	-	Daiwa Europe
Republic of Finland(j)★	25bn	Sep.2014	5.50	100.00R	5.500	-	Yamaichi Intl.(Europe)
STERLING							
HMC Mtg Notes 12, Cls A1(i)‡	170	Oct.2037	(i1)	99.83R	-	-	Lehman Brothers Intl.
HMC Mtg Notes 12, Cls A2(i)‡	20	Oct.2037	(i2)	100.00	-	-	Lehman Brothers Intl.
HMC Mtg Notes 12, Cls b(i)‡	28	Oct.2037	(i3)	100.00	-	-	Lehman Brothers Intl.
FRENCH FRANCS							
Soc. Gén. Acceptance‡	1bn	Sep.1997	(g)	99.90R	-	-	Société Générale
Crédit Commercial de France‡	1bn	Sep.1997	(h)	100.00R	-	-	CCF, Luxembourg
D-MARKS							
Kingdom of Sweden‡	200	Sep.2000	(h)	100.50	-	-	Commerzbank

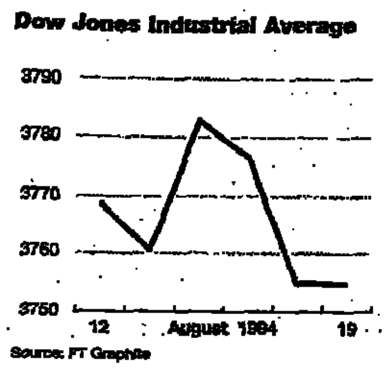
Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
CANADIAN DOLLARS							
Gen.Electric Capt.Canada(l)	100	Sep.1999	8.875	99.593R	8.98	+10(7¼%-99)	Merrill Lynch Intl.
Kellogg Co.	140	Sep.1997	8.125	100.00R	8.125	+7½(8½%-97)	Lehman Brothers Intl.
ITALIAN LIRE							
CKB	200bn	Sep.1997	11.35	100.066R	11.31	-	Deutsche Bank London
SWISS FRANCS							
Kubota Corp.(a)★★◊	150	Aug.1998	0.50	100.00	-	-	Swiss Bank Corp.
Hafnia Intl.Finance, Dublin(l)	100	Oct.1998	5.125	101.75	4.636	-	Zurich Kantonalbank
Kellogg Co.★★	130	Sep.1997	5.25	102.20	4.450	-	Lehman Bros.(Switz.)
LUXEMBOURG FRANCS							
Cregem International Finance	2bn	Oct.2004	8.25	101.90	7.967	-	BIL

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ◊With equity warrants. ★★Private placement. ★Unlisted. [illegible]

EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Downwards drift looks set to continue



The Federal Reserve appears to have further clouded the outlook for equities as the summer draws to an end.

In the aftermath of last week's credit tightening, two camps have formed on Wall Street. Their analyses differ but their uneasiness is mutual. As a consequence, a downward drift in share prices, which began the day after the policy announcement, is likely to continue for some time.

The first of these camps fears the Fed, in choosing to push up interest rates, has locked into a course that will lead analysts to revise downward their forecasts on corporate profits as the second half progresses.

The second group is convinced that the Fed has not done enough to slow the economy, setting the stage for a further strike on rates within the next three months. This view was buttressed last Thursday by suggestions of continued growth and higher inflation contained in a monthly survey of business conditions in Philadelphia.

"A negative can be seen in either side," says Mr Thomas McManus, stock strategist at Morgan Stanley in New York, who suggests both views are essentially on target.

On one hand, the steepness of the yield curve on the extreme short end of the Treasury maturity range indicates to Mr McManus that inflationary expectations among investors remain very high. Such pessimism is likely to make portfolio managers refrain from making fresh commitments until evidence of a cooling economy emerges.

Expect no such indications this week. The calendar is clear of any important economic releases until next Thursday, when the National Association of Purchasing Management is due out with its latest reading on the manufacturing sector. The following day will bring August employment data, considered the most reliable barometer of the economy's strength.

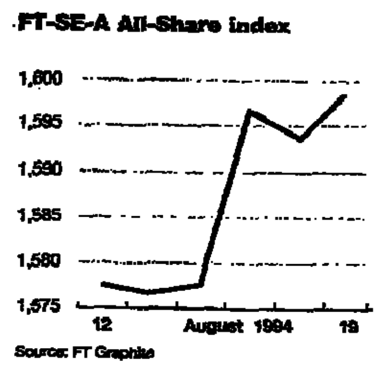
Meanwhile, Mr McManus points out, historical trends suggest the shift to tighter money last winter will start squeezing corporate profits this quarter, which would deflate even the most bullish investor. The implication is that a continued consolidation in share prices is almost inevitable.

"The sooner the economy starts to show clear signs of softening, the sooner the market can rally," the Morgan Stanley analyst says. "But before the signs of softening become widespread, there will first be a round of downward revisions."

All is not gloomy, however. An atmosphere of falling rates and restrained profits could benefit consumer non-durable stocks, which usually exhibit slow, steady earnings growth. That category includes two sectors – food products and pharmaceuticals – which have been the focus of the recent flurry of takeover speculation.

LONDON — Terry Byland

Investors are shrugging off the good news



The mood of the stock market appears likely to remain gloomy this week, surprisingly so in view of the relatively favourable news on UK inflation and interest rate prospects.

While welcoming the reduction in base rate fears inspired by the UK July retail sales numbers and also the Bundesbank's decision to leave rates unchanged, market analysts appear to be whispering, under their breath, "but don't you believe it."

"Unfortunately . . .", says Richard Jeffrey at Charterhouse Tilney; itself an interesting opening to a commentary on the latest fall in UK inflation rate. His thesis that the best news for the market would be a rise in base rates, indicating that the UK Treasury, like the US Federal Reserve, intends to be pro-active on inflation, is echoed by several other market analysts.

At Nomura Research, Nick Knight, the notable bear of the UK market, contrasts the latest inflation reports with signs that investors are beginning to move against the interest rate sensitive share sectors.

His research indicates downward pressure on building material stocks which together with stores, brewers, motors and textiles are regular losers from rate rises or the threat of them.

He repeats the argument that if, as is probable, the UK chancellor is even more unwilling to raise rates following the July retail sales figures, then this is "ultimately bearish" in terms of the rate rise which will eventually be proved necessary.

There's no news like bad news, especially if it looks like good news, apparently.

Nor do the market technicians provide much comfort. Derivative Securities says its readings of the Footsie Index track continue to show that the market is overbought and, with the Bank of England still evidently wanting the next base rate move to be upwards, the medium-term direction (of the Footsie) is expected to be downwards.

The market's unwillingness to make further progress is casting a shadow across the merchant banking sector, where fortunes are closely tied to that of the securities industry. NatWest Securities sees these banks struggling to repeat the 1993 performance when the shares outperformed the market by 47 per cent.

NatWest sees the sector return on equity falling to 14.8 per cent in 1994-1995, compared with a record 18.2 per cent last year and an eight-year average of 12.5 per cent.

It believes that the quality as well as quantity of earnings in the sector is deteriorating and that only SG Warburg is "correctly" positioning itself to generate adequate earnings growth.

International offerings / Conner Middelmann

Wide discounts expected in Indian GDR sector

A dearth of supply and the strength of the domestic equity market have underpinned Indian global depository receipts (GDRs) in recent weeks, but that trend could be reversed when issuance picks up in September.

Indian issuers will need to continue pricing new issues generously if they want to attract international capital. "It's still very much a buyers' market," says a London equity salesman specialising in Indian products. "In September we'll probably see more GDRs issued at market discounts."

A GDR is a receipt, issued in registered form by a depository bank, representing ownership of shares held in custody in the equity issuer's home market. GDRs and underlying shares are usually fungible but trade independently.

A flood of GDRs in the first half of the year caused new paper to be priced at increasing discounts to the domestic market. On the last issues to emerge in late July, discounts widened to around 30 per cent.

This month, issuance has ground to a halt due to the summer lull and the weight of undigested supply. Meanwhile, the underlying stock market rallied, pushing the Bombay Stock Exchange Index to a new high. All this, together with strong US buying in the secondary GDR market, has supported the sector, allowing discounts to shrink.

"The GDR market is not very attractive at current levels," says Mr Jeff Chowdhry, who runs the $530m India Fund for BZW Investment Management. "Many issues are trading at fair value or at a premium, and the prospect of more supply suggests the market is likely to come in for profit-taking."

The underlying stock market, too, may be in for a correction. "The recent rise occurred on fairly thin volume," says the salesman, adding that stocks heavily weighted in the index "performed particularly well, pushing the index up, but that may not reflect the market as a whole".

Another source of weakness among secondary GDRs may be investors reshuffling their portfolios, taking profits on recent issues and clearing the deck for upcoming supply.

Dealers say around 20 issues have been mandated for launch before the year-end, totalling between $1bn and $1.5bn. "There are an awful lot of issues in the pipeline – they probably won't all make it," says a London syndicate official.

On the other hand, companies needing to raise cash quickly may offer substantial discounts to do so.

Faced with this heavy supply, investors are expected to be increasingly selective. "They can afford to be choosy and go for the better quality names," says one syndicate official. Some of the more talked-about companies include motorcycle manufacturer Bajaj Auto with its planned $150m issue, and the $150m deal for engineering firm Larsen & Toubro.

Whether India's international telecommunications monopoly Videsh Sanchar Nigam Ltd (VSNL) will brave the market this year remains to be seen. Its planned $1bn privatisation issue was pulled in early May after it failed to get the desired price.

"We're in regular talks with the government and investors are still very interested," said Mr Derrick Chow of the equity capital markets team at Kleinwort Benson. "Everyone wants to do it, but at the right price." KB's and Salomon Brothers' mandate to lead-manage the VSNL issue expires at the end of the year.

There is some market talk that VSNL may return with a smaller offering. While he declines to comment on the likely size of the issue, Mr Chow says: "We have to be sensitive to investor sentiment – we don't want to overload the market."

OTHER MARKETS

STOCKHOLM

The nerve-wracked Swedish equities market is looking for some good news right now and the string of interim reports due out this week from a number of the country's leading industrial and financial groups might just supply it, *writes Christopher Brown-Humes in Stockholm.*

The big day is Tuesday when two of the country's leading banks, Skandinaviska Enskilda Banken and Handelsbanken, the insurer, Trygg-Hansa, and the pulp and paper group, Stora are all due to report. Wednesday will bring results from two of the big cyclicals, engineering groups Atlas Copco and Sandvik, while Thursday features Investor, the key Wallenberg holding company, Trelleborg and Bilspedition.

Hopes of strong profit gains have been fuelled by better than expected figures from Electrolux, Ericsson and SKF over the last two weeks. In the case of the banks, the main influence is likely to be reduced loan losses, while the cyclicals will be favoured by krona weakness, cost-cutting and rising demand in key US and European markets. Unibank in London expects Sandvik profits to rise to SKr1.39bn from almost SKr1bn a year ago. For Atlas Copco it is looking for a rise from SKr661m to SKr805m.

FRANKFURT

A shiver ran through the market last Thursday when BASF, the first to report of the "big three" chemical groups, came out with a 41 per cent rise in first-half pre-tax profits which was below, in some cases well below, analysts' targets for this stage of 1994.

However, Mr Martin Glen at Lehman Brothers said BASF was subject to restructuring and a line of its own for "other expenses" before it came to the pre-tax level. Given the unpredictability of this effect on the BASF figures, he would not alter his forecasts of bumper results from Hoechst and Bayer, due Wednesday and Thursday respectively.

Mr Glen is going for a 33 per cent rise in Hoechst pre-tax profits, reflecting cost reduction and restructuring, and a 22 per cent gain for Bayer which has a more defensive product mix.

COPENHAGEN

Unidanmark reports interim results tomorrow. Hoare Govett says that valuation adjustments on the bond portfolio will distort the underlying picture, but the broker is more optimistic about underlying trends and hopes that a satisfactory figure could encourage switching out of Den Danske Bank, which produced disappointing interims last week.

AMSTERDAM

Half-year figures are due from KPN, ING, KNP BT, AMB Amro and Aegon. UBS says the Dutch yield stocks, financials and KPN, have performed poorly in the last four months but the financials should have been cautious in bond market activity, and any surprises might be on the upside.

ZURICH

Sandoz, which acquired the Gerber baby foods group earlier this year, reports maiden half-year profit figures on Thursday. The US pharmaceuticals subsidiary of the chemicals, drugs and nutrition combine withdrew voluntarily the lactation-suppression indication of its drug, Parlodel, last week to end what the group called "unwarranted criticism".

Swiss brokers are looking for a 10 per cent rise in net profits to around SFr940m. They say that turnover has been flat in Swiss franc terms but that Sandoz had a SFr100m extraordinaries item at this stage last year.

TOKYO

Last week's sudden appreciation of the yen against the dollar is likely to keep investors wary, *writes Emiko Terazono in Tokyo.* The impact on corporate earnings is expected to be severe if the US currency remains below the Y100 level.

Such concerns may start to materialise this week, as mid-term results leaked to the press ahead of the September book closing will start affecting share prices. Lower than expected half-year results may prompt profit taking in export oriented companies, which have already been battered by the yen's appreciation.

HONG KONG

This week, the market will have to digest last Friday's interest rate rise, announced after the close of trading; and another batch of results look potentially disappointing, *writes Louise Lucas in Hong Kong.*

While the immediate impact on stock prices may not be huge – the rate rise has been anticipated since the Fed move – there may be longer term implications for companies' borrowing costs.

Results this week start with interims from Citic Pacific, the Hong Kong-listed arm of the Beijing foreign investment company, and are followed by property developers, including Li Ka-shing's Cheung Kong on Thursday. Property watchers will also have an eye on Tuesday's land auction.

Compiled by William Cochrane

EMERGING MARKETS: This Week

The Emerging Investor / David Pilling

Chile offers calm in an unstable continent

In a continent currently tinged with electoral and economic uncertainty, Chile – which is unlikely to witness radical policy changes before the presidential elections in 1999 – looks like a safe haven.

"The market . . . has defensive appeal in the current uncertain climate," says Mr Guillermo Tagle of Santander Investment.

Mr Paul Sparrow, a Santiago-based analyst at Barings, agrees. "If you look at it on the eve of the Mexican elections and six weeks before the elections in Brazil, Chile has stability."

Unlike Mexico, Chile has no fears of post-election political turmoil after what is expected to be another victory for the ruling PRI party. Unlike Brazil, it is not faced with the possibility of a shift to the left should Mr Luis Inácio Lula da Silva, the Workers' Party presidential hopeful, be victorious.

That stability comes at a price. According to estimates of projected year-end earnings compiled by Kleinwort Benson, Chile is trading at a p/e of 19 against 14.4 in Mexico.

Investors that have stuck with Chile, however, have been rewarded by dollar returns in the first eight months of 1994 of about 25 per cent, after 50 per cent gains last year. The selected IPSA index, returned to 100 at the start of each year, had by the close of trading on Friday reached 125.95 points.

This year, Chile has been spared some – though by no means all – of the turmoil that rising US interest rates have inflicted on Latin American markets. A domestic investor base with assets above $20bn and the consequent reduction of dependence on foreign funds has helped to shelter Chile from international storms. Capital account restrictions prevent foreign investors from making quick dashes in and out of the Santiago exchange.

However, Chile's market has internationalised through the exposure of ADRs in New York. There are now 14 Chilean ADRs, representing two thirds of the domestic market, and price moves abroad are quickly reflected at home.

Notwithstanding such setbacks, Chilean ADRs are well regarded, partly because of their relative, though diminishing, scarcity, and partly because of the good reputation of Chilean management. Largely positive second-quarter results confirmed the reputation of Chilean companies for outpacing domestic growth.

That growth has slowed this year to a projected 4 to 4.5 per cent compared with 6 per cent last year and 10.3 per cent in 1992. However, the 1994 performance has been better than expected, buoyed by higher prices for Chile's principal export products, especially copper. This has helped turn a projected annual trade deficit of nearly $1bn into a surplus of $237m in the first six months.

Growth, which fell in the first quarter to 3.5 per cent against 7.8 in the same period of 1993, appears to be picking up strongly with monthly economic activity up 6.8 per cent in May, the highest in a year.

Ms Janet Krengel, senior economist at Kleinwort Benson, acknowledges that Chile is "the jewel in the crown of Latin America" in terms of economic management, but she believes its growth prospects are "tarnished" by inflationary concerns. The government, working with a highly indexed economy, may struggle to meet its 11 per cent target for 1994, and finance ministry officials admit that achieving single-digit inflation will be a laborious process.

Her fear is that the central bank will maintain high interest rates in order to smother inflation, denting hopes of the 6 per cent growth sought in 1995 and beyond. Kleinwort Benson gives Chile an "underweight" rating, diverting funds to "cheaper, more accessible markets such as Argentina".

Although Mr Sparrow says that the recent performance on inflation has been "disappointing", he believes the market will continue to perform well, producing a year-end IPSA of about 140. He highlights the electricity sector, which can count on a favourable tariff structure for at least two years and which has seen demand grow 50 per cent faster than GDP. Expansion projects in Peru and especially Argentina – where Chilean companies have taken important stakes in privatised generators and distributors – should start showing profits this year.

The outcome of the Mexican and Brazilian elections is likely to have an impact on markets throughout the continent. Investor caution is likely to abate given a clean Mexican poll and victory in Brazil for Mr Fernando Henrique Cardoso, the candidate favoured by business. Whether investment would then be diverted from Chile to other regional markets, or whether Santiago would benefit from the general flow of funds to Latin America remains to be seen.

Ten best performing stocks

Stock	Country	Friday 19/8/94	Week on week change $	%
Usinimas (Pfd)	Brazil	0.0016	0.0003	27.18
Otosan	Turkey	3.4959	0.7061	25.31
Electrobras (Pfd)	Brazil	0.3897	0.0755	24.02
Eczacibasi Ilac	Turkey	0.1160	0.0214	22.83
Banco Bradesco (Pfd)	Brazil	0.0086	0.0015	21.25
Electrobras	Brazil	0.0097	0.0017	21.05
TPI Polene	Brazil	0.3751	0.0642	20.66
Kordosa	Thailand	9.2092	1.5338	19.98
Brisa	Turkey	0.4608	0.0760	19.76
	Turkey	0.2268	0.0384	18.93

Source: Baring Securities

Colombo braced for share fall

Colombo stockbrokers were braced today for a sharp fall in Sri Lankan shares following last week's election victory by the opposition People's Alliance, *writes Stefan Wagstyl in Colombo.*

Analysts said that shares, which have already fallen by over 25 per cent from their peak early this year, could drop a further 10 per cent this week. "I don't expect panic selling, but some investors will want to sell their shares and few will want to buy: there will be a wait and see attitude", says Mr Kishan Vairavanathan, an assistant general manager at CBC Crosby, a joint venture between the Commercial Bank of Ceylon and Crosby Securities, of Hong Kong.

Investors are concerned about the end of 17 years rule by the conservative United National Party, which pursued pro-market economic policies. They are worried that the People's Alliance, a centre-left coalition of nine parties, will prove less accommodating towards business and finance.

While Mrs Chandrika Kumaratunga, the new prime minister, has pledged to continue with economic liberalisation, there are fears that she will be under pressure from her left wing allies to intervene more in the economy. She has also promised to increase welfare spending, which could lead to higher taxes or bigger government borrowing. The budget deficit last year was up from 7.3 per cent to a substantial 8.1 per cent of GDP.

However, her supporters point out that she has pledged to try to end the civil war in the north, in which the Sri Lankan army is fighting Tamil Tiger separatist guerillas. A negotiated settlement would lead to lower defence spending and open opportunities for companies to rebuild the impoverished north.

As measured by p/e ratios, Sri Lankan shares are cheap in comparison with others in south Asia: large stocks trade on an average multiple of about 19 times earnings for 1993 and about 14 times expected earnings for 1994.

News round-up

■ Hong Kong

Regent Fund Management has warned of an impending property bubble in Hong Kong, *Reuter reports.*

Mr Jim Mellon, managing director, said that Hong Kong was the main Asia focus for foreign investors, outside Japan, but that it was significantly overvalued, partly because 65 per cent of stock market earnings derived from property investment.

"There is a massive shake-out coming, we are in the early stages of a 50 to 75 per cent fall over the next five years," he said.

"But the warning signs were being muted by a lot of American latecomers to the Hong Kong stock market." Because of its dollar link, Hong Kong will also see an exaggerated effect of tightening US monetary policy, in the same way as it benefited from the easing over the past year.

He noted the Hong Kong stock market currently had the same market capitalisation as Canada, or Italy, even though its economy and population were smaller. He sees the Hang Seng index at 6,000 "in a year or so", from 9,480 now.

■ Debt trading

Trading volume in emerging market debt worldwide totalled some $2,000bn in 1993, more than twice that recorded in the previous year, according to a survey by the Emerging Markets Traders Association.

Brady bonds (LDC bank loans repackaged as bonds) saw even greater growth, with trading in 1993 increasing four-fold to $1,000bn, representing more than 50 per cent of overall market volume, up from 34 per cent in 1992.

Trading in secondary market loans reached $273bn in 1993, up from $229bn in 1992, marking a decrease in market share from 31 per cent in 1992 to 14 per cent last year.

■ Qatar

Equity trading on Qatar's unofficial stock exchange was brisker last week amid rumours that the government was due to make an announcement soon of when an official bourse would open. About 22 companies and banks are traded on the exchange.

● Emerging markets coverage appears daily on the World Stock Markets page

CURRENCIES — Philip Gawith

Dollar stays focus of attention

Traders are likely in the days ahead to test the downside for the dollar after the US currency's weak showing last week.

A 50 basis point rise in US short-term rates did nothing to dissipate the bearishness surrounding the dollar.

Economists at Swiss Bank Corporation in London argue that, "it is quite conceivable that in the next three months the US dollar will be testing the low DM1.40's."

Their Swiss counterparts at UBS, however, are more optimistic. They argue that diverging US and German interest rates, as the Fed tightens further in 1995 and the Bundesbank trims the discount rate to 4 per cent, will support the dollar.

"We believe these interest rate moves will cause the foreign exchange market to shift its focus. The shift will provide international investors with the incentive to increase their holdings of Treasuries and hedge international bond holdings."

UBS is forecasting the dollar at DM1.635 in three months.

Traders will also be keeping a watchful eye on sterling, now that it has slipped below the DM2.40 level.

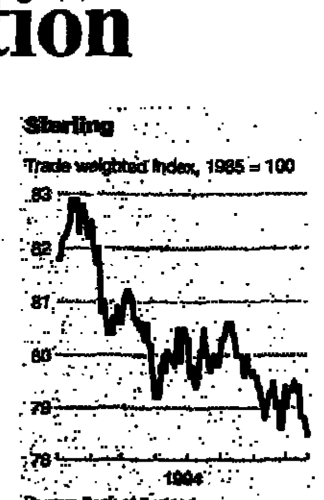
Although the trade weighted index, at 78.5, has not fallen dramatically, some analysts fear that the pound is vulnerable to speculative selling, should the market conclude that the Bank of England has been insufficiently vigilant in combatting inflationary pressures.

While many observers believe that there is no case now for higher rates in the UK, the evidence of Sweden, Italy, the US and Australia all raising rates – the latter two against a benign inflationary backdrop – has clearly unsettled market nerves.

Three currencies in Europe that warrant attention are the lira, Swedish krona and Spanish peseta.

The former two remain weak, but they have stabilised since the initial sell-off after interest rates were raised.

The peseta, on the other hand, is vulnerable to a post-summer correction as the market anticipates the end of the seasonal tourism boom.



Baring Securities emerging markets indices

Index	19/8/94	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (268)	181.79	+8.38	+4.83	+23.08	+14.54	+13.38	+7.95
Latin America							
Argentina (20)	111.02	+1.75	+1.60	+6.26	+5.97	-4.36	-3.78
Brazil (22)	227.33	+27.22	+13.60	+51.34	+29.17	+87.68	+62.79
Chile (12)	191.77	+3.65	+1.94	+6.62	+3.57	+44.23	+29.98
Mexico (26)	155.21	+5.06	+3.37	+23.79	+18.10	-6.05	-3.75
Peru(16)	697.44	-9.95	-1.41	+15.65	+2.30	+121.35	+21.06
Latin America (96)	171.97	+10.02	+6.19	+26.04	+17.85	+22.73	+15.23
Europe							
Greece (13)	86.95	-3.27	-3.62	+5.45	+6.68	+3.86	+4.64
Portugal (16)	122.13	+1.55	+1.28	+10.46	+9.36	+10.01	+8.93
Turkey (20)	92.78	+4.27	+4.83	+9.69	+11.66	-68.93	-42.63
Europe (49)	103.72	+0.42	+0.40	+8.54	+8.97	-8.51	-7.59
Asia							
Indonesia (22)	150.62	+8.12	+5.69	+8.37	+5.88	-20.42	-11.94
Korea (23)	136.83	+3.91	+2.94	+9.56	+7.51	+27.13	+24.73
Malaysia (23)	243.68	+10.01	+4.28	+32.55	+15.42	-9.37	-3.70
Pakistan (10)	112.35	-1.06	-0.94	+0.48	+0.43	+0.66	+0.59
Philippines (11)	298.31	-3.34	-1.11	+39.78	+15.39	-24.16	-7.49
Thailand (24)	262.24	+13.46	+5.41	+29.11	+12.49	-1.31	-0.50
Taiwan (30)	168.33	+2.23	+1.35	+1.37	+0.82	+14.62	+9.51
Asia (143)	222.18	+7.38	+3.44	+21.32	+10.62	+0.77	+0.35

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 19 / Sch)

BELGIUM/LUXEMBOURG (Aug 19 / Frs.)

DENMARK (Aug 19 / Kr)

FINLAND (Aug 19 / Mkk)

FRANCE (Aug 19 / Frs.)

GERMANY (Aug 19 / Dm.)

ITALY (Aug 19 / Lire)

NETHERLANDS (Aug 19 / Fls.)

NORWAY (Aug 19 / Kroner)

SPAIN (Aug 19 / Pts.)

SWEDEN (Aug 19 / Kronor)

SWITZERLAND (Aug 19 / Frs.)

PACIFIC

JAPAN (Aug 19 / Yen)

AUSTRALIA (Aug 19 / Aus$)

HONG KONG (Aug 19 / H.K.$)

MALAYSIA (Aug 19 / MYR)

SINGAPORE (Aug 19 / S$)

AFRICA

SOUTH AFRICA (Aug 19 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 19 / Can $)

4 pm close

MONTREAL (Aug 19 / Can $)

4 pm close

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Friday August 19, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nissan Motor	6.0m	787	-23	Nikko Secs	3.7m	1,200	-30
Nippon Steel	4.8m	368	-6	Ricoh Co Metal	3.6m	958	-17
S'tomo Metal	4.7m	338	-1	Obayashi Corp	3.5m	706	+4
M'bishi Heavy	4.4m	799	-15	Sumitomo Chem	3.3m	580	+5
Kobe Steel	4.1m	320	-4	M'bishi Elec	3.0m	686	-9

INDICES

	Aug 19	Aug 18	Aug 17	1994 High		1994 Low	
Argentina							
General (29/12/77)	20228.40	20134.45	20291.23	25470.40	16/2	17756.90	20/4
Australia							
All Ordinaries(1/1/80)	2059.1	2069.8	2059.5	2340.60	3/2	1957.40	27/6
All Mining(1/1/80)	1025.8	1019.0	1015.1	1136.10	3/2	994.60	5/5
Austria							
Credit Aktien(30/12/84)	417.98	419.13	419.55	460.66	2/2	398.97	22/6
Traded Index(2/1/91)	1111.62	1114.41	1118.24	1222.25	1/2	1011.38	6/6
Belgium							
BEL20 (1/1/91)	1447.20	1448.46	1460.58†	1542.65	9/2	1393.86	13/7
Brazil							
Bovespa (29/12/83)	51383.0	50268.0	49669.0	51383.00	19/8	3800.90	3/1
Canada							
Metals Mnls♦(1975)	3813.04	3812.11	3830.19	3985.31	3/8	3298.06	20/4
Composite♦ (1975)	4187.10	4184.40	4205.27	4608.90	23/3	3868.90	24/6
Portfolio§§ (4/1/83)	1995.51	1996.49	1995.90	2182.89	1/2	1063.17	20/7
Chile							
IPGA Gen (31/12/80)	4564.2	4520.9	4508.8	4867.80	4/2	3901.20	4/4
Denmark							
CopenhagenSE(3/1/83)	385.76	388.50	368.25	415.79	2/2	358.80	22/6
Finland							
HEX General(28/12/90)	1876.1	1838.0	1813.5	1972.00	4/2	1601.10	3/1
France							
SBF 250 (31/12/90)	1344.90	1349.38	1360.22	1565.28	2/2	1265.36	4/7
CAC 40(31/12/87)	2001.33	2010.54	2034.98	2355.93	2/2	1886.18	4/7
Germany							
FAZ Aktien(31/12/58)	811.48	815.01	820.24	859.27	18/5	757.51	27/6
Commerzbank(1/12/53)	2305.3	2315.8	2323.1	2465.50	2/5	2149.30	27/6
DAX (30/12/87)‡	2149.57	2153.56	2162.29	2271.11	16/5	1988.82	20/6
Greece							
Athens SE(31/12/80)	873.03	878.18	898.37	1194.58	18/1	806.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9404.44	9518.89	9537.98	12201.09	4/1	8389.44	4/5
India							
BSE Sens.(1979)	4468.7	4534.3	4505.5	4634.38	18/8	3454.00	5/1
Indonesia							
Jakarta Comp.(10/8/82)	492.21	492.86	(c)	612.89	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1819.74	1841.82	1850.13	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	651.15	644.83	649.22	817.17	10/5	598.86	10/1
MIB General (4/1/94)	1066.0	1042.0	1049.0	1318.00	10/5	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20512.70	20662.77	20824.58	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	298.94	302.76	302.79	311.71	13/6	259.22	4/1
Topix (4/1/68)	1643.82	1663.09	1663.75	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2423.75	2456.52	2473.65	2549.65	6/7	1873.39	4/1
Malaysia							
KLSE Comp.(4/4/86)	1140.70	1136.34	1126.14	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2698.24	2699.65	2881.17	8/2	1957.33	20/4
Netherland							
CBS TtlRtnGen(End 83)	430.9	432.7	436.3	454.90	31/1	406.30	21/6
CBS All Shr (End 83)	273.5	274.6	276.9	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2090.73	2097.38	2101.46	2439.84	3/2	1945.51	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1111.73	1109.92	1116.06	1211.10	28/2	988.91	21/6
Philippines							
Manila Comp (2/1/85)	3006.70	3004.07	3029.70	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	2915.6	2906.0	2903.7	3228.60	18/2	2812.80	20/6
Singapore							
SES All-S'pore(2/4/75)	574.28	576.75	574.88	641.81	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2194.0▼	2181.0	2152.0	2931.00	4/1	1749.00	14/2
JSE Ind. (28/9/78)	6600.0▼	6614.0	6610.0	6757.00	15/6	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	943.23	946.48	942.96	974.26	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	307.15	307.08	311.02	358.31	31/1	291.43	6/7
Sweden							
AffarsvarldnGen (1/2/37)	1423.7	1413.9	1408.0	1603.90	31/1	1384.70	8/7
Switzerland							
Swiss Bk Ind (31/12/58)	1227.92	1236.78	1242.96	1423.34	31/1	1157.97	18/7
SBC General (1/4/87)	915.79	923.63	927.78	1053.29	31/1	888.10	13/7
Taiwan							
WeightedPr.(30/6/66)**	6766.38	6588.16	6645.90	6944.91	9/8	5194.65	19/3
Thailand							
Bangkok SET (30/4/75)	1488.62	1483.98	1473.48	1753.73	4/1	1188.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	(u)	28061.2	26208.4	28863.60	13/1	12980.79	24/3
WORLD							
MS Capital Int (1/1/70)§	637.0*	638.4	636.2*	641.00	1/2	591.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1352.29	1352.63	1362.77	1540.19	31/1	1303.48	21/6
Euro Top-100 (26/6/90)	1204.57	1204.19	1210.42	1311.01	2/2	1143.08	21/6
JCapeDGns (31/12/88)	(u)	332.03	331.11	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	181.79	180.82	178.38	182.72	14/2	141.66	21/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2017.0	2007.0	-9.0	2030.0	2004.0	15,308	23,397
Sep	2024.0	2014.5	-9.5	2037.0	2016.0	469	28,303
Oct	2033.0	2024.0	-9.0	2033.0	2033.0	-	1,625

Open interest figures for previous day.

** Sat Aug 13: Taiwan Weighted Price 6593.91; Korea Comp Ex (c). Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 19 - 2143.84 -7.80

US INDICES

Dow Jones	Aug 19	Aug 18	Aug 17	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3755.11	3755.43	3776.48	3978.36 (31/1)	97.54 (28/7)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	97.74	97.88	97.90	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1582.20	1593.70	1611.64	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	187.78	185.65	189.04	227.98 (3/1)	176.71 (24/6)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3785.22 (3793.63) Low 3727.59 (3738.98) (Theoretical♦)
Day's high 3762.23 (3776.48) Low 3741.51 (3749.28) (Actual♦)

Standard and Poors	Aug 19	Aug 18	Aug 17	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	463.68	463.17	465.17	482.00 (2/2)	438.92 (4/4)	534.18 (29/7/94)	4.40 (1/6/32)
Industrials▼	543.02	542.10	543.84	560.59 (2/2)	510.05 (21/4)	590.59 (2/2/94)	3.62 (21/6/32)
Financial	45.49	45.49	45.72	46.94 (14/6)	41.38 (4/4)	48.40 (29/9/93)	8.64 (1/10/74)
NYSE Comp.	255.81	255.49	256.40	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	445.45	443.55	444.94	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	742.43	742.17	742.66	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Aug 12	Aug 5	Jul 29	Year ago
Dow Jones Ind. Div. Yield	2.70	2.72	2.72	2.86
	Aug 10	Aug 3	Jul 27	Year ago
S & P Ind. Div. yield	2.43	2.42	2.45	2.52
S & P Ind. P/E ratio	23.51	23.55	23.13	25.14

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	463.00	463.65	+0.45	464.30	461.60	63,953	200,820
Dec	466.50	466.30	+0.45	466.80	464.30	3,165	25,004
Mar	-	469.70	+0.50	470.20	467.60	95	4,218

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	5,096,100	65¾	+⅛
IBM	4,682,100	68⅞	+1⅞
Gen Elec	3,959,800	47⅞	+¼
Gen Motors	3,581,900	49¼	–⅜
20th Cent	3,295,100	12¾	–3⅛
Glaxo	2,921,600	20	+⅛
Coca Cola	3,148,500	46¾	–1
Merck	3,187,300	34	+¼
Ford	3,101,800	29¾	+¼
Pepsico	2,823,100	33¼	+¼

■ TRADING ACTIVITY

● Volume (million)

	Aug 19	Aug 18	Aug 17
New York SE	276.832	284.967	309.249
Amex	13.965	15.015	13.379
NASDAQ	(u)	311.115	305.442
NYSE			
Issues Traded	2,844	2,851	2,860
Rises	1,141	847	1,192
Falls	920	1,291	950
Unchanged	783	713	707
New Highs	37	44	63
New Lows	31	36	29

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1600)F

Capital House Unit Tst Mgrs (1200)F

Fidelity Investment Servs Ltd - Contd.

Fleming Private Fund Mngt Ltd (1200)F

Granville Unit Tst Mngmt Ltd (0659)F

Guardian Royal Ex Unit Mgrs Ltd (1400)F

Lazard Unit Tst Mngrs Ltd (1200)F

Leeds Unit Trusts Limited (1200)F

Mercury Fund Managers Ltd - Contd.

Prolific Unit Tst Mngrs Ltd (1100)F

Schroder Unit Trusts Ltd - Contd.

Portfolio Fund Management Ltd (0900)F

1 White Hart Yard, London SE1 1NX

Premium Life Unit Tst Mngrs Ltd (1400)F

37 Perrymount Rd, Haywards Heath 0444 458721

Principal Unit Trust Mngmt Ltd (1600)F

16 South Park, Sevenoaks, TN13 1AN 0732 740700

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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OTHER UK UNIT TRUSTS

INSURANCES

هكذا من الاصل

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Scottish Mutual Assurance plc - Contd.

Sun Life Unit Assurance Ltd

Century Life International Ltd - Contd.

DBS Financial Management Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Dresdner Intl Management Services Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

John Govett (Channel Islands) Ltd (1000)F

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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Abtrust Fund Mngrs Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA - Contd.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Israel Selection Fund

Lloyds Bank Luxembourg (u)

World Bond Fund-SICAV (z)

World Trust Fund

Yamaichi Advanced Technology Fund

Yamaichi 1992 OMM Fund SICAV (u)

OTHER OFFSHORE FUNDS

Ermitage Group

Jardine Fleming Unit Trusts Ltd - Contd.

Johnson Fry Securities Ltd

Putnam Emboassy Funds Ltd

Putnam International Advisers Ltd

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.7745	-0.0461	679 - 811	16.8438	16.7422	16.7702	0.3	16.7583	0.4	-	-	115.8
Belgium	(BFr)	49.1415	-0.157	258 - 571	49.3780	49.0800	49.1165	0.6	49.1465	0.0	48.8965	0.5	117.2
Denmark	(DKr)	9.4409	-0.0489	351 - 466	9.5005	9.4248	9.4571	-2.1	9.4833	-1.8	9.5403	-1.1	117.0
Finland	(FM)	7.8319	-0.0866	224 - 413	7.9300	7.8100	-	-	-	-	-	-	83.9
France	(FFr)	8.1796	-0.0282	765 - 826	8.2132	8.1650	8.1834	-0.6	8.183	-0.2	8.147	0.4	110.8
Germany	(DM)	2.3838	-0.0053	826 - 847	2.3946	2.3779	2.3831	0.3	2.3805	0.5	2.3536	1.3	127.0
Greece	(Dr)	361.264	-0.862	146 - 420	362.817	360.952	-	-	-	-	-	-	-
Ireland	(I£)	1.0146	+0.0007	139 - 152	1.0166	1.0100	1.0147	-0.1	1.0148	-0.1	1.0152	-0.1	103.6
Italy	(L)	2431.76	-15.89	059 - 293	2443.29	2426.60	2439.76	-3.9	2456.21	-4.0	2525.36	-3.8	75.0
Luxembourg	(LFr)	49.1415	-0.157	258 - 571	49.3780	49.0800	49.1165	0.6	49.1465	0.0	48.8965	0.5	117.2
Netherlands	(Fl)	2.6766	-0.0058	757 - 774	2.6892	2.6700	2.6758	0.4	2.6731	0.5	2.6437	1.2	121.3
Norway	(NKr)	10.4922	-0.0299	889 - 954	10.5811	10.4700	10.4892	0.3	10.4987	-0.3	10.4857	0.1	96.8
Portugal	(Es)	244.701	-0.909	429 - 973	246.096	243.988	246.431	-8.5	249.511	-8.0	-	-	-
Spain	(Pta)	199.771	-1.086	661 - 880	200.886	199.165	200.256	-2.9	201.096	-2.7	203.801	-2.0	85.5
Sweden	(SKr)	11.9430	-0.1156	352 - 507	12.0044	11.8932	11.9645	-2.2	12.015	-2.4	12.2385	-2.4	72.9
Switzerland	(SFr)	2.0014	-0.0065	006 - 021	2.0088	1.9975	1.9996	1.1	1.9954	1.2	1.9638	1.9	122.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	78.5
Ecu	-	1.2550	-0.0033	545 - 554	1.2589	1.2520	1.2559	-0.8	1.2567	-0.5	1.2555	0.0	-
SDR†	-	0.946237	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5476	+0.002	472 - 479	1.5512	1.5446	-	-	-	-	-	-	-
Brazil	(R$)	1.3826	-0.0039	808 - 844	1.3875	1.3788	-	-	-	-	-	-	-
Canada	(C$)	2.1299	-0.0022	291 - 306	2.1353	2.1246	2.1298	0.0	2.1294	0.1	2.1372	-0.3	86.0
Mexico	(New Peso)	5.2354	+0.0018	322 - 386	5.2388	5.2179	-	-	-	-	-	-	-
USA	($)	1.5483	+0.0026	480 - 485	1.5520	1.5452	1.5481	0.2	1.5465	0.5	1.5348	0.9	62.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0961	+0.0092	950 - 971	2.1010	2.0857	2.096	0.0	2.0974	-0.2	2.1156	-0.9	-
Hong Kong	(HK$)	11.9633	+0.0191	606 - 660	11.9917	11.9405	11.9594	0.4	11.9583	0.2	11.9653	0.0	-
India	(Rs)	48.5686	+0.0815	530 - 842	48.6820	48.4730	-	-	-	-	-	-	-
Japan	(Y)	152.464	-0.594	401 - 527	153.100	151.860	152.064	3.1	151.199	3.3	146.694	3.8	190.3
Malaysia	(M$)	3.9457	-0.0029	435 - 479	3.9610	3.9405	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5835	+0.011	809 - 860	2.5867	2.5741	2.5874	-1.8	2.5952	-1.8	2.6175	-1.3	-
Philippines	(Peso)	40.6417	+0.0683	480 - 353	41.0355	40.1650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8066	+0.0096	053 - 078	5.8203	5.7954	-	-	-	-	-	-	-
Singapore	(S$)	2.3263	+0.0016	251 - 274	2.3304	2.3219	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5354	+0.0047	333 - 374	5.5476	5.5210	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.9207	+0.0348	041 - 373	6.9392	6.9020	-	-	-	-	-	-	-
South Korea	(Won)	1244.38	+2.01	397 - 468	1247.89	1242.03	-	-	-	-	-	-	-
Taiwan	(T$)	40.9311	+0.0174	214 - 408	41.0271	40.8535	-	-	-	-	-	-	-
Thailand	(Bt)	38.6876	+0.0418	458 - 893	38.7530	38.6120	-	-	-	-	-	-	-

†SDR rate for Aug 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8345	-0.048	320 - 370	10.8600	10.8110	10.8347	0.0	10.8345	0.0	10.7495	0.8	104.8
Belgium	(BFr)	31.7400	-0.155	350 - 450	31.8900	31.7000	31.765	-0.9	31.78	-0.5	31.865	-0.4	106.1
Denmark	(DKr)	6.0978	-0.0419	950 - 005	6.1361	6.0940	6.1103	-2.5	6.1341	-2.4	6.2178	-2.0	105.1
Finland	(FM)	5.0585	-0.0646	532 - 638	5.1227	5.0450	5.0635	-1.2	5.0772	-1.5	5.1585	-2.0	77.4
France	(FFr)	5.2831	-0.0272	820 - 842	5.3050	5.2720	5.2864	-0.7	5.2924	-0.7	5.2548	0.5	107.0
Germany	(D)	1.5396	-0.006	391 - 400	1.5455	1.5353	1.5398	-0.1	1.5398	0.0	1.5337	0.4	107.7
Greece	(Dr)	233.350	-0.95	300 - 400	233.900	233.200	233.64	-1.5	234.425	-1.8	237.45	-1.8	69.7
Ireland	(I£)	1.5261	+0.0015	253 - 268	1.5348	1.5220	1.5244	1.3	1.5206	1.4	1.5031	1.5	-
Italy	(L)	1570.65	-12.93	015 - 115	1577.75	1568.50	1576.4	-4.4	1588.8	-4.6	1646.15	-4.8	75.0
Luxembourg	(LFr)	31.7400	-0.155	350 - 450	31.8900	31.7000	31.765	-0.9	31.78	-0.5	31.865	-0.4	106.1
Netherlands	(Fl)	1.7288	-0.0067	285 - 290	1.7349	1.7235	1.7287	0.0	1.7288	0.0	1.7227	0.3	106.0
Norway	(NKr)	6.7768	-0.0307	758 - 778	6.8349	6.7600	6.7803	-0.6	6.7968	-1.2	6.7093	1.0	96.8
Portugal	(Es)	158.050	-0.85	900 - 200	158.400	157.750	159.125	-8.2	161.45	-8.6	167.55	-6.0	95.1
Spain	(Pta)	129.030	-0.92	980 - 080	129.300	128.600	129.39	-3.3	130.075	-3.2	132.83	-2.9	80.4
Sweden	(SKr)	7.7139	-0.0878	101 - 176	7.7549	7.6720	7.7419	-4.4	7.8014	-4.5	8.0554	-4.4	77.8
Switzerland	(SFr)	1.2927	-0.0084	924 - 929	1.2972	1.2901	1.2919	0.7	1.2906	0.6	1.2796	1.0	107.5
UK	(£)	1.5483	+0.0026	480 - 485	1.5520	1.5452	1.5481	0.2	1.5465	0.5	1.5348	0.9	86.8
Ecu	-	1.2338	+0.0054	335 - 340	1.2389	1.2306	1.2326	1.2	1.2305	1.1	1.244	-0.8	-
SDR†	-	1.45850	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-0.0004	995 - 996	0.9997	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8930	-0.004	920 - 940	0.8950	0.8920	-	-	-	-	-	-	-
Canada	(C$)	1.3757	-0.0037	754 - 759	1.3810	1.3735	1.3767	-0.9	1.379	-1.0	1.3962	-1.5	82.5
Mexico	(New Peso)	3.3815	-0.0045	800 - 830	3.3830	3.3720	3.3825	-0.4	3.3843	-0.3	3.3917	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3539	+0.0037	534 - 543	1.3565	1.3468	1.3542	-0.2	1.3549	-0.3	1.3622	-0.6	87.1
Hong Kong	(HK$)	7.7270	-0.0006	265 - 275	7.7275	7.7260	7.7268	0.0	7.7275	0.0	7.7425	-0.2	-
India	(Rs)	31.3700	-	650 - 750	31.3750	31.3650	31.455	-3.3	31.6	-2.9	-	-	-
Japan	(Y)	98.4750	-0.55	500 - 000	98.8500	98.1500	98.245	2.8	97.795	2.8	95.58	2.9	150.5
Malaysia	(M$)	2.5485	-0.0061	475 - 495	2.5568	2.5455	2.5393	4.3	2.528	3.2	2.6015	-2.1	-
New Zealand	(NZ$)	1.6686	+0.0043	672 - 700	1.6700	1.6620	1.6695	-0.7	1.6714	-0.7	1.6767	-0.5	-
Philippines	(Peso)	26.2500	-	000 - 000	26.5000	26.0000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7504	-	502 - 506	3.7508	3.7502	3.7517	-0.4	3.7558	-0.6	3.7744	-0.6	-
Singapore	(S$)	1.5025	-0.0015	020 - 030	1.5055	1.5000	1.5012	1.1	1.4993	0.9	1.4925	0.7	-
S Africa (Com.)	(R)	3.5753	-0.003	745 - 760	3.5765	3.5704	3.5908	-5.2	3.6191	-4.9	3.6958	-3.4	-
S Africa (Fin.)	(R)	4.4700	+0.015	600 - 800	4.4825	4.4600	4.5037	-9.1	4.5625	-8.3	-	-	-
South Korea	(Won)	803.700	-0.05	600 - 800	804.800	803.500	806.7	-4.5	810.2	-3.2	826.7	-3.1	-
Taiwan	(T$)	26.4370	-0.0333	350 - 390	26.4560	26.4320	26.457	-0.9	26.497	-0.9	-	-	-
Thailand	(Bt)	24.9750	-0.015	650 - 850	25.0000	24.9650	25.0475	-3.5	25.175	-3.2	25.655	-2.7	-

†SDR rate for Aug 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 17. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 19		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.21	16.65	4.851	2.066	4949	5.448	21.35	498.0	406.6	24.30	4.072	2.035	4.335	3.150	310.3	2.554
Denmark	(DKr)	52.05	10	8.664	2.525	1.075	2576	2.836	11.11	259.2	211.6	12.65	2.119	1.059	2.256	1.640	161.5	1.329
France	(FFr)	60.07	11.54	10	2.914	1.241	2973	3.273	12.82	299.1	244.3	14.60	2.446	1.222	2.604	1.892	186.4	1.534
Germany	(DM)	20.61	3.960	3.431	1	0.426	1020	1.123	4.400	102.6	83.81	5.008	0.839	0.419	0.893	0.649	63.97	0.526
Ireland	(I£)	48.41	9.301	8.059	2.349	1	2396	2.637	10.33	241.1	196.8	11.76	1.971	0.985	2.099	1.525	150.2	1.236
Italy	(L)	2.021	0.388	0.336	0.098	0.042	100.	0.110	0.431	10.06	8.215	0.491	0.082	0.041	0.088	0.064	6.271	0.052
Netherlands	(Fl)	18.36	3.527	3.056	0.891	0.379	908.5	1	3.919	91.41	74.64	4.460	0.747	0.374	0.796	0.578	56.97	0.469
Norway	(NKr)	46.84	9.000	7.798	2.273	0.968	2318	2.552	10	233.3	190.5	11.38	1.908	0.953	2.031	1.476	145.4	1.196
Portugal	(Es)	20.08	3.858	3.343	0.974	0.415	993.9	1.094	4.287	100.	81.65	4.879	0.818	0.409	0.870	0.633	62.32	0.513
Spain	(Pta)	24.59	4.725	4.094	1.193	0.508	1217	1.340	5.250	122.5	100.	5.976	1.002	0.501	1.066	0.775	76.33	0.628
Sweden	(SKr)	41.16	7.907	6.851	1.997	0.850	2037	2.242	8.786	204.9	167.3	10	1.676	0.838	1.784	1.296	127.7	1.051
Switzerland	(SFr)	24.56	4.718	4.088	1.191	0.507	1215	1.338	5.242	122.3	99.85	5.967	1	0.500	1.064	0.774	76.21	0.627
UK	(£)	49.14	9.441	8.180	2.384	1.015	2432	2.677	10.49	244.7	199.8	11.94	2.001	1	2.130	1.548	152.5	1.255
Canada	(C$)	23.07	4.432	3.840	1.119	0.477	1142	1.257	4.925	114.9	93.80	5.606	0.939	0.469	1	0.727	71.60	0.589
US	($)	31.74	6.099	5.284	1.540	0.656	1571	1.729	6.776	158.1	129.1	7.713	1.293	0.646	1.376	1	98.51	0.811
Japan	(Y)	322.2	61.91	53.64	15.63	6.656	15948	17.55	68.79	1605	1310	78.30	13.12	6.557	13.97	10.15	1000.	8.230
Ecu		39.16	7.523	6.518	1.900	0.809	1938	2.133	8.359	195.0	159.2	9.514	1.594	0.797	1.697	1.233	121.5	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6483	0.6501	+0.0015	0.6517	0.6470	38,479	105,206
Dec	0.6498	0.6503	+0.0014	0.6520	0.6480	1,213	6,638
Mar	0.6502	0.6511	+0.0014	0.6524	0.6500	6	1,622

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.7723	0.7728	-	0.7763	0.7710	16,034	43,054
Dec	0.7753	0.7742	+0.0001	0.7770	0.7725	983	2,255
Mar	0.7770	0.7765	+0.0002	0.7785	0.7760	1	58

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.0166	1.0176	+0.0003	1.0210	1.0138	37,463	64,064
Dec	1.0250	1.0248	+0.0003	1.0269	1.0212	944	7,151
Mar	1.0333	1.0326	+0.0003	1.0333	1.0302	59	1,651

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.5504	1.5502	-0.0006	1.5532	1.5452	11,142	33,508
Dec	1.5440	1.5482	-0.0002	1.5520	1.5430	169	1,955
Mar	1.5420	1.5456	+0.0002	1.5460	1.5420	1	154

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.450	9.89	9.78	9.77	-	-	0.07
1.475	7.39	7.44	7.52	-	0.07	0.26
1.500	4.98	5.20	5.44	0.05	0.31	0.65
1.525	2.64	3.26	3.66	0.34	0.85	1.34
1.550	1.22	1.81	2.29	1.19	1.83	2.39
1.575	0.37	0.86	1.30	2.81	3.32	3.83

Previous day's vol., Calls 13,860 Puts 6,304 . Prev. day's open int., Calls 556,438 Puts 433,858

UK INTEREST RATES

LONDON MONEY RATES

Aug 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4	4¾ - 4½	5¹⁄₁₆ - 4⅞	5½ - 5⅜	6 - 5⅞	6⅞ - 6¾
Sterling CDs	-	-	5 - 4¹⁵⁄₁₆	5⁷⁄₁₆ - 5⅜	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6¾ - 6⅝
Treasury Bills	-	-	4¹⁵⁄₁₆ - 4⅞	5⁷⁄₁₆ - 5⅜	-	-
Bank Bills	-	-	4¹⁵⁄₁₆ - 4⅞	5⁷⁄₁₆ - 5⅜	5⅞ - 5¾	-
Local authority deps.	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	5¹⁄₁₆ - 4¹⁵⁄₁₆	5⅝ - 5⁷⁄₁₆	6 - 5⅞	6¹³⁄₁₆ - 6¹¹⁄₁₆
Discount Market deps	5⅛ - 4⅛	4¾ - 4⅝	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.3747pc. ECGD fixed rate Stg. Export Finance. Make up day July 29, 1994. Agreed rate for period Aug 24, 1994 to Sep 25, 1994, Schemes II & III 6.50pc. Reference rate for period July 1, 1994 to July 29, 1994, Schemes IV & V 5.2460pc. Finance House Base Rate 5½pc from Aug 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 19	Aug 12
Bills on offer	£500m	£500m
Total of applications	£1935m	£2345m
Total allocated	£500m	£500m
Min. accepted bid	£98.690	£98.660
Allotment at min. level	97%	100%

	Aug 12	Aug 5
Top accepted rate	5.2544%	5.3747%
Ave. rate of discount	5.2538%	5.3747%
Average yield	5.3235%	5.4477%
Offer at next tender	£500m	£500m
Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Companies & Finance page in today's edition.

■ Pound in New York

Aug 19	— Close —	— Prev. close —
£ spot	1.5490	1.5492
1 mth	1.5488	1.5480
3 mth	1.5474	1.5476
1 yr	1.5365	1.5358

FIXED INTEREST RATES

MONEY RATES

August 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4¹³⁄₁₆	5⅛	5⁵⁄₁₆	6⅛	6½	7.40	4.50	-
week ago	4⅞	5⅛	6	6⅛	6½	7.40	4.50	-
France	5⅛	5⅛	5⅛	5⅝	6⅛	5.00	-	6.75
week ago	5⅝	5⅝	5⅝	6	6⅝	5.00	-	6.75
Germany	4.85	4.95	4.95	5.00	5.28	6.00	4.50	4.85
week ago	4.93	4.95	4.95	4.98	5.18	6.00	4.50	4.85
Ireland	4⅝	5½	6⅛	6⅝	7⅛	-	-	6.25
week ago	5	5½	5⅞	6⅛	6⅞	-	-	6.25
Italy	8½	8⅝	9⅛	10⅛	11⅛	-	7.50	8.45
week ago	8½	8⅝	9⅝	10⅛	10⅞	-	7.50	8.20
Netherlands	4.85	4.91	4.95	5.08	5.37	-	5.25	-
week ago	4.85	4.91	5.06	5.18	5.44	-	5.25	-
Switzerland	3⅞	4⅛	4⅛	4½	4⅝	6.625	3.50	-
week ago	4	4⅛	4⅞	4⅛	4⅝	6.625	3.50	-
US	4⅝	4⅞	4⅝	5⅛	5⅝	-	4.00	-
week ago	4⅝	4⅞	4⅞	5⅛	5⅝	-	3.50	-
Japan	2⅛	2⅛	2⅛	2⅛	2⅝	-	1.75	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	4⅝	5	5⅛	5⅝	-	-	-
week ago	-	4⅝	4⅝	5⅛	5⅞	-	-	-
US Dollar CDs	-	4.66	4.85	5.13	5.62	-	-	-
week ago	-	4.66	4.78	5.09	5.55	-	-	-
SDR Linked Ds	-	4⅛	4⅛	4⅛	4⅞	-	-	-
week ago	-	3½	3⅝	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 6⅛; 6 mths: 6¼; 1 year: 6⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 19	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4¹³⁄₁₆ - 4¹¹⁄₁₆	5¹⁄₁₆ - 4¹⁵⁄₁₆	5⁵⁄₁₆ - 5³⁄₁₆	5⅝ - 5½	5¹³⁄₁₆ - 5¹¹⁄₁₆	6¼ - 6⅛
Danish Krone	5 - 4½	6 - 5½	6½ - 6	7⅛ - 6⅝	7½ - 7	7¾ - 7¼
D-Mark	4¹³⁄₁₆ - 4¹¹⁄₁₆	4⅞ - 4¾	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5 - 4⅞	5³⁄₁₆ - 4¹⁵⁄₁₆	5⅜ - 5¼
Dutch Guilder	4¹³⁄₁₆ - 4¹¹⁄₁₆	4¹³⁄₁₆ - 4¹¹⁄₁₆	4⅞ - 4¾	4¹⁵⁄₁₆ - 4¹³⁄₁₆	5⅛ - 5	5⅜ - 5¼
French Franc	5⅜ - 5¼	5⁷⁄₁₆ - 5⁵⁄₁₆	5⅝ - 5⁷⁄₁₆	5¹¹⁄₁₆ - 5⅝	6 - 5⅞	6⅜ - 6¼
Portuguese Esc.	12⅛ - 11⅞	11½ - 11	12¼ - 11½	12¼ - 11½	12¼ - 11¾	12¼ - 11½
Spanish Peseta	7½ - 7⅜	7⅞ - 7¹³⁄₁₆	7⅞ - 7¹¹⁄₁₆	8⅛ - 8	8⅜ - 8⅛	8⅞ - 8¹¹⁄₁₆
Sterling	4¾ - 4½	4¹³⁄₁₆ - 4¹¹⁄₁₆	5 - 4¹⁵⁄₁₆	5¹³⁄₁₆ - 5¹¹⁄₁₆	6 - 5⅞	6⅞ - 6¾
Swiss Franc	4 - 3¾	4 - 3¾	4⅛ - 4	4⁵⁄₁₆ - 4³⁄₁₆	4½ - 4⅜	4¹¹⁄₁₆ - 4⁹⁄₁₆
Can. Dollar	5⅛ - 4⅞	5¼ - 5	5¼ - 5⅛	5⅝ - 5½	6⁵⁄₁₆ - 6³⁄₁₆	7⅛ - 7
US Dollar	4¹³⁄₁₆ - 4⅝	4¾ - 4⅝	4¹³⁄₁₆ - 4¹¹⁄₁₆	5 - 4⅞	5⅜ - 5⅛	5¹³⁄₁₆ - 5¹¹⁄₁₆
Italian Lira	9 - 7½	9⅜ - 9¼	8⅝ - 8½	9⅜ - 9¼	10⅛ - 9¹⁵⁄₁₆	11¹⁄₁₆ - 10¹⁵⁄₁₆
Yen	2⅛ - 2¹⁄₁₆	2³⁄₁₆ - 2⅛	2⅜ - 2⅛	2⅜ - 2¼	2⅝ - 2⅜	2¹³⁄₁₆ - 2⅝
Asian $Sing	3⅞ - 3¾	3⅞ - 3¾	4⁷⁄₁₆ - 4⅜	4¾ - 4⅝	5⅜ - 5⅛	5¹³⁄₁₆ - 5¹¹⁄₁₆

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.87	94.87	-	94.88	94.86	76,373	422,033
Dec	94.18	94.21	+0.02	94.22	94.18	136,576	450,831
Mar	93.92	93.95	+0.02	93.96	93.91	72,729	345,795

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.24	95.25	+0.01	95.26	95.24	1,999	16,112
Dec	94.71	94.73	+0.02	94.74	94.70	703	9,359
Mar	-	94.43	+0.04	94.43	94.41	137	3,879

All Open interest figs. are for previous day

UK GILTS PRICES

	Notes	Price £	W'k % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas 9pc 1994‡‡		100½	-.1	1,800	My17 Nv17	11.4	1345
12pc 1995		102⅝	-.1	2,350	Ja25 Jy25	20.6	1294
Exch 3pc Gas 1990-95		98⅛	—	214	My1 Nv1	25.3	1271
10¼pc 1995		103⅞	-.1	2,500	Ja21 Jy21	14.6	1254
Treas 12¾pc 1995‡‡		106⅞	-.1	840	My15 Nv15	8.4	1298
14pc 1996		109¾	-.2	770	Ja22 Jy22	15.6	1305
15¼pc 1996‡‡		112⅞	-.2	1,150	My3 Nv3	28.3	1309
Exch 13¼pc 1996‡‡		109½	-.2	800	My15 Nv15	8.4	1288
Conversion 10pc 1996		104⅞	-.1	3,409	My15 Nv15	8.4	1240
Treas Cnv 7pc 1997‡‡		97½xd	-.3	2,000	Au6 Fe6	30.6	-
Treas 13¼pc 1997‡‡		111⅝	-.3	1,290	Ja22 Jy22	15.6	1302
Exch 10½pc 1997		105⅞	-.3	3,700	Fe21 Au21	15.7	1253
Treas 8¾pc 1997‡‡		101½xd	-.3	5,550	Mr1 Se1	28.7	1341
Exch 15pc 1997		118⅞	-.3	830	Ap27 Oc27	21.3	1269
9¾pc 1998		103⅞	-.2	3,550	Ja19 Jy19	13.6	1273
Treas 7¼pc 1998‡‡		96⅞	-.2	7,850	Mr30 Se30	21.2	-
Treas 6¾pc 1995-98‡‡		94⅞	-.3	1,200	My1 Nv1	25.3	1331
14pc 1998-1		118⅞	-.2	870	My22 Nv22	15.4	1306
Treas 15½pc '98‡‡		123⅞	-.2	935	Mr30 Se30	21.2	1308
Exch 12pc 1998		111⅞	0.1	3,909	My20 Nv20	13.4	1259
Treas 9½pc 1999‡‡		103⅞	-.1	1,900	Ja15 Jy15	8.6	1347
Five to Fifteen Years							
Exch 12¼pc 1999		113⅜	-.1	3,050	Mr26 Se26	17.2	1264
Treas 10½pc 1999		107⅜	—	1,252	My19 Nv19	12.4	1288
Treas 6pc 1999‡‡		90¼xd	—	5,600	Fe10 Au10	4.7	-
Conversion 10¼pc 1999		106¼	—	1,798	My22 Nv22	15.4	1242
Treas Flg Rate 1999		99⅞xd	—	2,500	MrJeSeDe	3.8	-
9pc 2000‡‡		101⅞xd	—	5,358	Mr3 Se3	28.7	1244
Treas 13pc 2000		118⅝	-.1	3,171	Ja14 Jy14	7.6	1299
10pc 2001		105⅞xd	-.1	4,406	Fe26 Au26	20.7	1280
7pc 2001 ‡‡		91⅛	—	3,650	My6 Nv6	30.3	-
7pc 2001 A		90⅞	—	2,500	My6 Nv6	-	-
9¾pc 2002		104⅞xd	—	6,527	Fe27 Au27	21.7	1348
8pc 2003‡‡		95⅛	-.1	7,800	Ja10 De10	4.5	-
10pc 2003		106⅞xd	-.1	2,506	Mr8 Se8	2.8	1281
Treas 11½pc 2001-4		111⅞xd	-.1	1,620	Mr19 Se19	15.8	1290
Funding 3½pc 1999-4		71⅞	-.5	543	Ja14 Jy14	7.6	1274
Conversion 9½pc 2004		104⅜	-.3	3,412	Ap25 Oc25	21.3	1246
Treas 6¾pc 2004‡‡		87⅛	-.3	6,250	My26 Nv26	19.4	-
Conv 9½pc 2005		104⅞	-.2	4,842	Ap18 Oc18	14.3	1247
Treas 12½pc 2003-5		120⅜	-.3	2,200	My21 Nv21	14.4	1295
7¾pc 2006‡‡		92⅞xd	—	3,900	Mr8 Se8	2.8	-
8pc 2002-6‡‡		94⅛	0.1	2,000	Ap5 Oc5	1.3	1334
Treas 11¾pc 2003-7		114⅞	-.1	3,150	Ja22 Jy22	15.6	1298
Treas 8½pc 2007 ‡‡		98⅞	0.1	5,597	Ja16 Jy16	9.6	1339
13½pc 2004-8		127⅞	0.5	1,250	Mr26 Se26	17.2	1301
Treas 9pc 2008 ‡‡		102⅞	-.2	5,321	Ap13 Oc13	7.3	1343
Over Fifteen Years							
Treas 8pc 2009		94⅞xd	-.1	3,100	Mr25 Se25	19.8	1336
Treas 6 1/4pc 2010		80⅜	0.1	4,750	-	18.4	-
Conv 9pc Ln 2011 ‡‡		103⅜	-.1	4,273	Ja12 Jy12	16.6	1245
Treas 9pc 2012‡‡		103⅞	-.1	5,150	Fe6 Au6	30.6	1701
Treas 5½pc 2008-12‡‡		73⅞xd	0.6	1,000	Mr10 Se10	4.8	1330
Treas 8pc 2013‡‡		94⅛	—	4,950	Mr27 Se27	18.2	-
7¾pc 2012-15‡‡		92⅛	-.1	800	Ja26 Jy26	20.6	1332
Treas 8¾pc 2017‡‡		102⅛xd	—	6,950	Fe25 Au25	19.7	1982
Exch 12pc 2013-17		129⅝	—	1,000	Ja12 De12	6.5	1280
Undated							
Consols 4pc		45⅝	-2.3	359	Fe1 Au1	27.8	1236
War Loan 3½pc‡‡		40⅞	0.8	1,909	Ja1 De1	25.4	1352
Conv 3½pc '61 Aft.		57⅝	1.9	119	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft.		34⅞	-4.1	56	Ap5 Oc5	1.3	1324
Consols 2½pc		28⅞	0.1	275	5JaApJyOc	1.6	1236
Treas. 2½pc		28⅞	1.0	475	Ap1 Oc1	21.2	1315
Index-Linked (b)							
2pc '96	(67.9)	199xd	-.3	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡	(135.6)	107⅛	-.3	800	Ap27 Oc27	21.3	-
2½pc '01	(78.3)	165⅞xd	0.2	1,500	Mr24 Se24	18.8	1316
2½pc '03	(78.8)	161⅛	0.2	1,050	My20 Nv20	13.4	1317
4⅜pc '04‡‡	(135.6)	108⅞	0.2	1,000	Ap21 Oc21	22.4	-
2pc '06	(69.5)	167⅞	0.2	1,850	Ja19 Jy19	13.6	1314
2½pc '09	(78.8)	152⅛	0.4	1,850	My20 Nv20	13.4	1318
2½pc '11	(74.6)	157⅜xd	0.5	1,950	Fe23 Au23	18.7	1319
2½pc '13	(89.2)	128⅞	0.6	2,300	Fe16 Au16	11.7	1320
2½pc '16	(81.6)	138⅛	0.5	2,550	Ja26 Jy26	20.6	1321
2½pc '20	(83.0)	132½	0.6	2,400	Ap16 Oc16	10.3	1322
2½pc '24‡‡	(97.7)	110⅝	0.7	2,100	Ja17 Jy17	10.6	1323
4⅛pc '30‡‡	(135.1)	109½	0.7	1,300	Ja16 Jy22	15.6	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1993: 141.9 and for July 1994: 144.0.

Other Fixed Interest

	Price £	W'k % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010	117⅞	-1.3	60	Ja4 Jy4	1.12	-
Asian Dev 10¼pc 2009	110⅜	-1.4	100	Mr24 Se24	3'93	-
B'ham 11½pc 2012	116⅞	-3.0	45	My15 Nv15	4'93	1837
Ireland Cap 8½pc '10	100	—	303	Ap1 Oc1	-	1465
9pc Cap 1996	101⅛	-.4	725	Ja30 Jy30	-	-
13pc '97-2	109⅝	—	315	Ap1 Oc1	26.8	1428
Hydro Quebec 15pc 2011	141¼	-1.4	40	My31 Nv30	27.10	-
Leeds 13½pc 2006	129¼	-2.7	40	Ap1 Oc1	3'93	3146
Liverpool 3½pc Irred	37	-1.3	5	1JaApJaOc	8'93	-
LCC 3pc '20 Aft	33	—	28	1JaJeSeDe	8'93	-
Manchester 11½pc 2007	116	-.6	6	Ap26 Oc25	3'93	3275
Met. Wtr. 3pc 'B'	68	-2.9	25	Mr1 Se1	8'93	3361
N'wide Anglia 3⅞pc 2021	133	0.4	80	Ja30 Jy30	1'93	3465
4⅛pc IL 2024	127½	—	50	-	7'93	-
Utd Mex States 16½pc 2008	134⅞	-1.5	50	Mr1 Se1	27.8	-

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	3191.4	3182.6	3190.3	3147.3	3142.3	3520.3	2876.6	3520.3	986.9
FT-SE Mid 250	3753.9	3740.4	3741.7	3715.1	3719.2	4152.8	3363.4	4152.8	1379.4
FT-SE Mid 250 ex ITs	3758.2	3741.5	3741.5	3717.9	3723.0	4169.7	3362.4	4169.7	1378.3
FT-SE-A 350	1611.2	1606.5	1609.6	1590.2	1586.7	1778.3	1451.3	1778.3	664.5
FT-SE SmallCap	1886.96	1885.87	1884.68	1877.84	1879.00	2094.96	1777.31	2094.96	1363.79
FT-SE SmallCap ex ITs	1862.61	1850.08	1848.79	1844.69	1846.99	2060.72	1752.58	2060.72	1363.79
FT-SE-A All-Share	1586.16	1583.74	1586.52	1578.30	1576.94	1764.11	1445.85	1764.11	61.92
FT-SE Eurotrack 100	1352.29	1352.63	1362.77	1358.59	1351.19	1540.19	1303.48	1540.19	900.45
FT-SE Eurotrack 200	1413.21	1415.01	1423.88	1414.41	1407.41	1667.18	1342.95	1667.10	938.62
FT Ordinary	2496.8	2490.4	2497.5	2474.5	2474.8	2713.6	2255.5	2713.6	49.4
FT Govt Securities	91.19	91.24	91.98	91.37	91.11	107.04	90.99	127.40	49.18
FT Fixed Interest	108.89	109.37	108.59	109.04	109.13	133.87	107.33	133.87	50.53
FT Gold Mines	1974.78	1956.90	1919.46	1907.93	1916.49	2367.4	1762.02	2367.40	922.16
Predecessor Gold Mines	241.5	239.0	237.4	233.1	233.1	277.9	186.0	734.7	43.6

BASE LENDING RATES

	%
Adam & Company	5.25
Allied Trust Bank	5.25
AIB Bank	5.25
●Henry Ansbacher	5.25
Bank of Baroda	5.25
Banco Bilbao Vizcaya	5.25
Bank of Cyprus	5.25
Bank of Ireland	5.25
Bank of India	5.25
Bank of Scotland	5.25
Barclays Bank	5.25
Brit Bk of Mid East	5.25
●Brown Shipley & Co Ltd	5.25
CL Bank Nederland	5.25
Citibank NA	5.25
Clydesdale Bank	5.25
The Co-operative Bank	5.25
Coutts & Co	5.25
Credit Lyonnais	5.25
Cyprus Popular Bank	5.25
Duncan Lawrie	5.25
Exeter Bank Limited	6.25
Financial & Gen Bank	6
●Robert Fleming & Co	5.25
Girobank	5.25
●Guinness Mahon	5.25
Habib Bank AG Zurich	5.25
●Hambros Bank	5.25
Heritable & Gen Inv Bk	5.25
●Hill Samuel	5.25
C. Hoare & Co	5.25
Hongkong & Shanghai	5.25
Julian Hodge Bank	5.25
●Leopold Joseph & Sons	5.25
Lloyds Bank	5.25
Meghraj Bank Ltd	5.25
Midland Bank	5.25
* Mount Banking	6
NatWestminster	5.25
●Rea Brothers	5.25
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Royal Bk of Scotland	5.25
●Smith & Williamson Secs.	5.25
TSB	5.25
●United Bk of Kuwait	5.25
Unity Trust Bank Plc	5.25
Western Trust	5.25
Whiteaway Laidlaw	5.25
Yorkshire Bank	5.25

● Members of London Investment Banking Association
* In administration

FT GOLD MINES INDEX

	Aug 19	% chg since 31/12/93	Aug 18	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (35)	1974.78	-11.6	1956.90	48.72	100.00	2.17	2367.40	1522.66
■ Regional Indices								
Africa (16)	3095.92	-8.3	3087.40	15.92	32.67	4.41	3440.80	1902.23
Australasia (8)	2336.63	-4.8	2495.39	6.79	13.94	2.05	3013.89	1893.18
North America (12)	1559.95	-16.2	1542.94	26.01	53.39	0.66	2059.65	1353.00

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines index: Aug. 19: 241.5; week's change: +5.5 points; Year ago: 197.7.

BANK RETURN

BANKING DEPARTMENT	Wednesday August 17, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,126,512,622	-26,429,021
Bankers deposits	1,601,808,377	+77,782,049
Reserve and other accounts	3,186,236,216	+136,776,780
	5,929,110,215	+188,129,808
Assets		
Government securities	1,007,093,708	-3,570,000
Advance and other accounts	2,452,097,405	+411,948,505
Premises, equipment and other secs	2,464,558,750	-216,516,960
Notes	5,144,578	-3,743,850
Coin	215,774	+12,113
	5,929,110,215	+188,129,808
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,244,855,422	-26,256,150
Notes in Banking Department	5,144,578	-3,743,850
	18,250,000,000	-30,000,000
Assets		
Other Government securities	10,679,763,445	+1,698,097,223
Other Securities	7,570,236,555	-1,728,097,223
	18,250,000,000	-30,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	26.2	100	97	§Aromascan	97	-2	-	-	-	-
-	F.P.	21.2	89	83	Baillie G Shn Wrts	84	-1	-	-	-	-
100	F.P.	19.4	102	100	Beacon Inv Tst	102		-	-	-	-
-	F.P.	1.75	46	43	Do. Warrants	46		-	-	-	-
18	F.P.	5.37	31	21	Cornell	29	+1	-	-	-	-
165	F.P.	75.8	173	165	Chamberlain Ph.	170	-1	W7.3	1.0	5.4	22.3
120	F.P.	12.2	133	118	Copyright Prom.	122	+3	uN1.0	2.8	1.0	43.6
-	F.P.	26.0	58	52	Emrg Mkts Country	52		-	-	-	-
-	F.P.	3.40	36	26	Do. Warrants	34		-	-	-	-
-	F.P.	6.71	71	69	Freeport	68		-	-	-	-
-	F.P.	31.9	94	91	INVESCO Jpn Disc	91	-1	-	-	-	-
-	F.P.	3.33	50	42	Do. Warrants	47½	-1½	-	-	-	-
-	F.P.	-	77	63	JF Fl Japan Wrts	67	-3	-	-	-	-
-	F.P.	15.9	40	35	§Magnum Power	36		-	-	-	-
100	F.P.	65.1	98	93	Old Mutual SA	93	-1	-	-	-	-
-	F.P.	5.81	45	41½	Do Warrants	41½	-½	-	-	-	-
23	F.P.	10.8	31	29	Orbis	29		-	-	-	-
§90	F.P.	15.8	95	90	Panther	90		N2.78	-	3.9	-
-	F.P.	0.60	17	5½	Do. Warrants	17		-	-	-	-
-	F.P.	1.28	40	39	Petroceltic	40		-	-	-	-
150	F.P.	179.4	162	157	Pillar Property Inv	159½	+½	LN3.7	-	2.9	-
-	F.P.	4.32	44	36	Suter Wrts 99/04	37	+1	-	-	-	-
100	F.P.	3.77	104	97	TR Euro Gth Pfg	104		-	-	-	-
-	F.P.	2.40	35	29	Tops Ests Wrts	30	-1	-	-	-	-
-	F.P.	54.7	49	34	VideoLogic	40		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
8	Nil	24/8	1½pm	1¼pm	BCE	1¼pm	
85	Nil	14/9	12pm	3pm	CRT	3pm	-1
340	Nil	23/9	47pm	41pm	Gibbs Mew	47pm	
15	Nil	22/9	4pm	¾pm	Hartstone	¾pm	
60	Nil	22/8	12pm	3pm	P & P	12pm	
1¼	Nil	-	¼pm	¼pm	Surrey Group	¼pm	

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

LONDON SHARE SERVICE

BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		£27½	1.5	Q87%	ϕ	Sep May	1.9	–
ANZ A$		198	1.5	Q20c	0.7	Jan Jul	9.12	–
Abbey National	†‡C	395xd	0.7	15.5	2.1	May Oct	15.8	5411
Allied Irish I£	‡†‡C	249xd	-1.0	Q62½%	2.7	Oct May	15.8	1364
Anglo Irish I£	‡C	58	1.8	Q17.9%	1.7	Jan Jul	6.6	1355
Asahi Y		774	-.9	Q14%	ϕ	Jun Dec	12'92	3049
Banco Bil Viz Pta		£19¾	0.4	Q27.2%	2.7	JyOcJaAp	7'93	–
Banco Sant Pta		£28¼	0.4	Q28%	2.0	MyAuDcJa	1.8	–
Bk Ireland I£	‡C	283	-1.5	Q13.3%	3.2	Jul Dec	16.5	1360
Bank Scotland	‡‡C	198	5.9	5.05	2.4	Dec Jul	16.5	1742
9¼pc Pf		113¼	-.7	9¼%	–	May Nov	25.4	1482
9¾pc Pf		118½	-.6	9¾%	–	May Nov	25.4	1685
Barclays	‡†‡C	564xd	4.6	16.65	1.9	Oct May	15.8	1794
Dai Ichi Kan Y		£11¾	-1.8	Q17%	1.2	Jun Dec	27.9	–
Deutsche DM		£295⅞	0.4	Q33%	–	May	5'93	–
Espirito Santo		£10	1.5	Q60c	5.2	Jun	6'93	5187
First Nat Fin	‡C	69½xd	5.3	1.5	–	Mar Aug	18.7	2571
6.3pc Cv Pf		77	—	6.3%	–	Jul Jan	6.6	2570
7pc Cv Pf		125½	—	7.0	–	Jul Jan	6.6	1488
Fuji Bank Y		1509¼	0.9	Q17%	ϕ	Dec Jun	7'93	–
HSBC HK	†‡C	739	-4.3	24.5	2.4	Nov Jun	14.3	2795
HSBC (75p Shs)	†‡C	720	-5.1	24.5	2.4	Nov Jun	14.3	2778
Lloyds	†‡C	560xd	0.9	23.0	2.1	Oct May	8.8	3171
Mitsubishi Y		217⅞	1.2	Q17%	ϕ	Jun Dec	12'92	–
Mits Tst & Bk Y		1011¼	3.6	Q16%	12.4	Jun Dec	12'92	–
Mitsui Tst & Bk Y		770¾	-1.5	Q17%	5.5	Jun Dec	12'92	–
Nat Aust A$	†	528	—	Q69c	1.7	Jul Jan	21.6	–
NatWest	†‡C	477xd	6.0	19.4	2.4	Oct May	8.8	3463
Ottomane FFr		221¼	-1.1	Q125%	ϕ	May	25.5	–
Ryl Bk Scotland	‡†‡C	405	2.5	12.0	1.9	Feb Jul	16.5	3874
Sakura Y		89⅞	0.9	Q17%	3.0	Dec Jun	12'92	–
Sanwa Y		£13⅞	-1.6	Q18%	2.0	Jun Dec	12'92	–
Standard Chartd	†‡C	254	2.8	6.37	4.2	Jun Oct	28.6	4094
7 3/8pc Pf		89½	-.6	7.37	–	Apr	14.2	1719
Sumitomo Y		£13½	0.7	Q17%	8.7	Jun Dec	12'92	–
Sumitomo Tst Y		944½	2.9	Q17%	ϕ	Jun Dec	12'92	–
TSB	†‡C	213xd	2.9	8.07	2.5	Apr Oct	15.8	4020
Tokai Y		88¾	2.6	Q18%	2.8	Jun Dec	12'92	–
Toyo Tst & Bk Y		800¼	-1.0	Q15½%	2.3	Jun Dec	6'93	–
Westpac A$		205	-2.3	Q12c	ϕ	Jul Jul	7.6	–
Yasuda Tst Bk Y	‡	590¼	-.2	Q15½%	2.3	Jun Dec	12'92	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£27	—	0375c	1.9	Oct Apr	3'93	–
Barlow	Z	£4½	0.3	018c	–	Jul	30.6	–
Gold Flds Prop R		111	–9	053c	♦	Feb Sep	31.1	–
NK Props	§	85	—	04L7c	0.3	Feb Oct	19 10	–
SASOL	♥	439	11.2	079c	–	Oct	23.9	3919
SA Brews		£12½	—	0165c	2.2	Dec Jun	30.5	–
Tiger Oats	†	629	—	085c	2.9	Jul Feb	6.6	–
Tongaat-Hulett		683	–2.6	085c	2.4	Feb Aug	4 1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) UK & Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. & Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend includes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Yates Brothers Wine (Brewers), John Mansfield (Bldg. Mats. & Merchants), Ideal Hardware (Distributors), 3i, Abtrust New Dawn C Wrnts., Schroder Japan Growth Fund Ord and Warrants, Scudder Latin American Ord and Warrants (Inv. Tsts.). Deletions: Sykes-Pickavant (Engineering), Abtrust New Dawn C (Inv. Tsts.) and Bow Valley (Oil Expln.)

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT1343. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.
An International service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

4 pm close August 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
[illegible]										

- B -

[illegible]										

- C -

[illegible]										

- D -

[illegible]										

- E -

[illegible]										

- F -

[illegible]										

- G -

[illegible]										

- H -

[illegible]										

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[illegible]										

- J -

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- K -

[illegible]										

- L -

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- M -

[illegible]										

- N -

[illegible]										

- O -

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- P - Q -

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- R -

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- S -

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4 pm close August 19

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

- T -

[illegible]

- U -

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- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close August 19

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 19

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

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- E -

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- F -

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- G -

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- S -

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- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

FT GUIDE TO THE WEEK

22 MONDAY

Dutch cabinet sworn in

Queen Beatrix is expected to swear in Wim Kok (left), the Labour leader, as the prime minister of a three-party coalition government with the Liberals and left-leaning D66 party. He replaces Ruud Lubbers, whose Christian Democrats lost the May 3 elections.

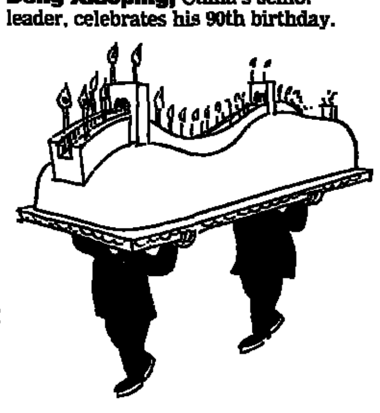
Mexico's Federal Electorate Institute is expected to finish issuing preliminary results for Sunday's presidential and congressional elections. The ruling Institutional Revolutionary Party, in power for 65 years, enjoys a wide lead over the opposition in opinion polls. Official results for the House of Deputies election come out on Wednesday. No date has been set for the release of official results for the presidential election.

Shimon Peres, Israel's foreign minister, arrives in Bonn for a three-day visit. Top of the agenda in his talks with Klaus Kinkel, his German counterpart, will be the Middle East peace negotiations, particularly the economic reconstruction of the West Bank.

German chancellor Helmut Kohl's governing Christian Democrat party meets to finalise its programme for the federal election on October 16. Opinion polls suggest it will succeed in persuading the German electorate that it deserves a fourth term in office.

Banesto, the Spanish bank which has undergone a $4bn rescue operation, holds its annual general meeting – the first shareholders' gathering since a controlling stake was auctioned off to Banco Santander four months ago. The previous extraordinary meeting in March was a stormy session which went on for nine hours.

Deng Xiaoping, China's senior leader, celebrates his 90th birthday.



Holidays: India.

23 TUESDAY

Poland seeks export boost

Waldemar Pawlak, Poland's prime minister, meets members of the Sejm, parliament's lower house, to discuss implementing his mid-term economic programme. Mr Pawlak, who heads a left-wing coalition, wants to capitalise on the improvement in foreign trade.

In the first five months of this year, exports rose by 11 per cent, with the private sector accounting for more than 48 per cent, while imports fell 2 per cent over the same period last year.

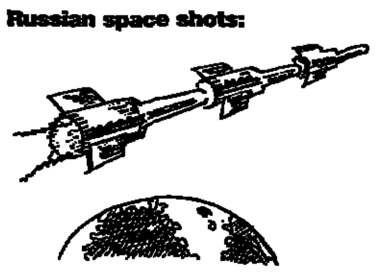
Japan's prime minister Tomiichi Murayama arrives in the Philippines at the start of an eight-day south-east Asian tour, which takes him to Vietnam on Thursday, Malaysia the following day, and winds up in Singapore from Sunday to next Tuesday.

He will stress the region's importance for Japan as an investment location but will face compensation demands from survivors in countries occupied during the second world war.

Lac Minerals, the Canadian mining group which is the target of two unwelcome takeover offers, will be forced to dissolve its anti-takeover protection plan if Royal Oak Mine's C$2.4bn bid, which expires today, is accepted by more than 66 per cent of shareholders. The Ontario Securities Commission has said that it will order Lac to remove the protection if either of the bids – from American Barrick and Royal Oak – is accepted by shareholders.

Germany's Bundestag, the lower house of parliament, holds a special ceremony in Bonn for members to pay their last respects to Manfred Wörner, the German secretary general of Nato who died last week.

Russian space shots:



The first of three Russian space launches planned for this week is due to blast off from the Plesetsk cosmodrome in northern Russia. The unmanned operation will put a civilian communication satellite in orbit.

On Thursday, a cargo spaceship carrying fuel, water and equipment for cosmonauts on the Mir orbital station is to be launched from the Baikonur cosmodrome in Kazakhstan. Its launch was planned originally for July but was postponed because of lack of cash. The third launch, of a military Kosmos satellite, takes place on Friday, also from Baikonur.

Football: The UEFA Cup second leg gets under way.

Holidays: India.

24 WEDNESDAY

WEDNESDAY, AUGUST 24

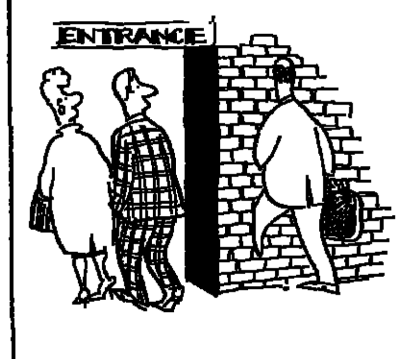
Zimbabwe's biggest foreign investment project since independence, the US$200m Hartley platinum joint venture, will be given the final go-ahead today when the minister of mines formally signs the special mining lease and mining agreement on behalf of the government.

Two Australian groups, Broken Hill Proprietary and Delta Gold, are behind the project to dig the biggest platinum mine in the western world outside South Africa, capable of producing 150,000 troy ounces a year. Robert Mugabe, Zimbabwe's president (above), is expected to turn the first turf at the mine site on September 9.

Estonia is due to begin dismantling two nuclear reactors at Paldisk. The move comes at a time when other former Soviet republics are maintaining or expanding their nuclear energy sectors. Ukraine has chosen to continue operating the Chernobyl reactor and Russia is building new nuclear power facilities. Although Estonia has almost no domestic sources of energy, it shares the environmental concerns of its Scandinavian neighbours and can afford to buy fuel from Russia.

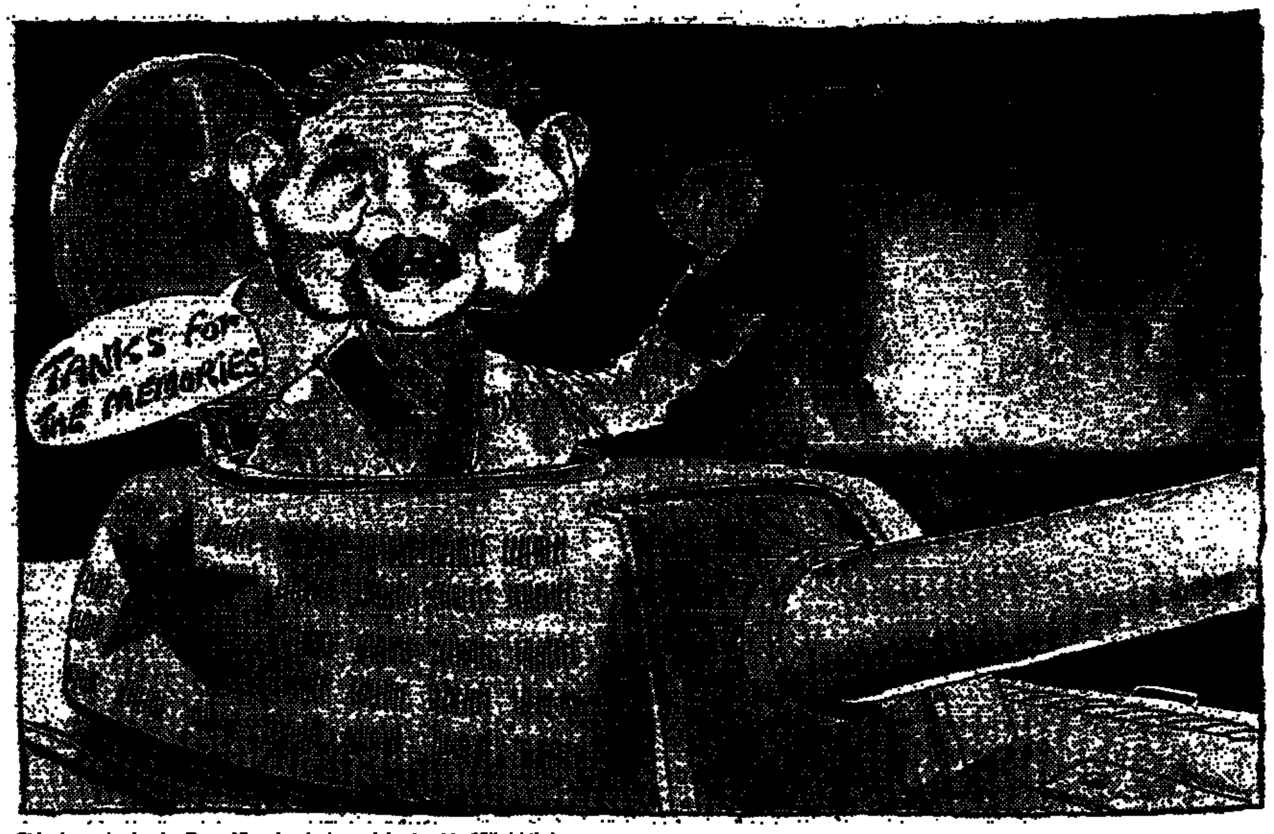
The Telegraph, the UK newspaper group, announces its first-half profits. They are expected to be about £34m ($53m), up from £28m. Its price war with rival broadsheets affected only nine days of the half, so will have little impact.

Signs of the times: The Society for Scientific Exploration holds its European conference in Glasgow. Among the topics to be explored are crop circles, unidentified flying objects, homeopathy, cold fusion and psychokinesis (to 26 August).



Football: Start of the European Cup second leg.

Holidays: Georgia (Day of National Reconciliation), Ukraine (Independence Day).



China's senior leader Deng Xiaoping today celebrates his 90th birthday

25 THURSDAY

Greek corruption probe

A Greek parliamentary committee is due to report the results of an inquiry into allegations of corruption against former Prime Minister Constantine Mitsotakis.

It is expected to recommend that charges be pressed against the former premier, accused of accepting a $22.5m bribe in the sale in 1992 of Heracles General Cement to Cal-Nat, a joint venture between Greece's National Bank and Calcestruzzi, the construction subsidiary of Italy's Ferruzzi group.

Japan Telecom, one of the country's three long-distance telephone operators, is to auction 17,000 shares at a minimum bid price of Y2.41m ($243,000) per share.

Germany's politicians end their summer holidays today, when the cabinet of the governing coalition holds its first session.

The ruling Christian Democrats and the Christian Social Union, its Bavarian sister party, unveil their campaign programme for the state and federal elections. State elections begin in Saxony and Brandenburg on September 11, followed by Bavaria two weeks later.

Paris will be holding ceremonies to mark the 50th anniversary of its liberation during the second world war.

Football: The European Cupwinners' Cup second leg gets under way.

Holidays: Uruguay (Independence Day).

26 FRIDAY

Italian cabinet meets

Ministers from Italy's fractious governing coalition return to Rome for their first cabinet meeting since the Bank of Italy raised interest rates 10 days ago to protect the currency from the effects of political uncertainty. The meeting will be the first test of whether a "midsummer truce" between Silvio Berlusconi, the prime minister, and Umberto Bossi of the populist Northern League will hold into the autumn.

Investors want the government to act quickly to flesh out the details of a 1995 budget which will meet the targets for reducing the Italian deficit outlined before the summer break.

Haiti's main aid donors meet in Paris to set priorities for the time when deposed President Jean-Bertrand Aristide is restored and to put pressure on the military rulers who seized power in a coup in 1991. The UN security council has authorised the creation of a multinational force that would use 'all necessary means' to re-establish democracy in the Caribbean island.

Germany's Bundesrat, or Upper House, holds a special session to discuss amendments to the constitution, including equal opportunities.

Holland's Festival of Early Music begins in Utrecht, with many concerts in the town's medieval squares and along its canals (to Sep 4). This year's themes are early music from the orient and the work of Orlando Lassus, who died 400 years ago.

27-28 WEEKEND

Bosnian Serbs hold vote

Bosnian Serbs vote on Saturday and Sunday in a referendum on an international peace plan which would divide the war-torn country roughly in half. Their leaders oppose the plan in spite of intense pressure from Belgrade and the international community.

The plan calls on Serbs to concede one-third of the 70 per cent of Bosnia under their control to the Moslem-Croat federation. The Bosnian Serb assembly voted to reject the plan last month.

US commerce secretary, Ron Brown, arrives in Beijing at the head of a business development mission on Saturday. His visit will be the first by a member of President Clinton's cabinet since the administration renewed China's Most Favoured Nation trading status in May.

Sunday shopping: Marks and Spencer and John Lewis's supermarket chain Waitrose, two leading UK retailers, are to open selected stores on a Sunday for the first time in England and Wales. A law permitting Sunday trading comes into effect on Friday. Some other retailers have been opening on Sundays in anticipation of the law.

Motor racing: The Belgian Grand Prix is held at the Francorchamps circuit near Spa on Sunday.

Compiled by Patrick Stiles.
Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: The markets will be watching for signs that Italian consumer price inflation has picked up significantly: they expect a 3.7 per cent rise in the index in the 12 months to August. In the UK, large revisions to second-quarter real GDP would be a surprise.

Tuesday: French trade figures for June are expected to to show a Ffr7.0bn surplus, down slightly from the Ffr7.6bn recorded in May.

Wednesday: Analysts expect US durable orders and shipments for July to have fallen back somewhat on the previous month's rise. That would provide a little more ammunition for those arguing that the economy is slowing by itself, and did not need last week's increase in interest rates.

Thursday: August consumer price inflation figures for Japan are not expected to show that the downward pressure on prices is at an end. But the Bank of Japan shows little sign of considering this a cause for lower interest rates.

Friday: The focus will be on the US, where preliminary real GDP figures for the second quarter are expected show the annual growth rate up slightly on the 3.7 per cent achieved in the first three months of 1994.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Gross domestic product, 2nd qtr**	3.3%	3.3%
Aug 22	Italy	August consumer price indx*	0.2%	0.3%
	Canada	June whole'le trade*†	1.3%	1.5%
	Denmark	July consumer price indx*	-0.1%	0.1%
Tues	US	Johnson Redbook, w/e Aug 20	-	-1.7%
Aug 23	Japan	June coincident indx	50%	60%
	Japan	June leading diffusion indx	54.5%	60%
	France	July consumer price indx, final*	-	-0.05%
	France	June trade balance†	Ffr7bn	Ffr7.6bn
	Sweden	June current account	SKr0.5bn	-SKr6.2bn
Wed	US	July durable orders	0.4%	1.3%
Aug 24	US	July durable shipments	-	1.1%
	Japan	July supermarket sales**	-	-0.3%
	Sweden	June retail sales**	0.3%	-1.9%
	Aust'lia	July motor vehicle registrations†	-1.0%	2.2%
	NZ	July trade balance	-	n/a
Thur	US	July existing home sales	-	$3.97m
Aug 25	US	M1, w/e Aug 15	$2bn	-$11.4bn
	US	M2	$6.3bn	-$18.3bn
	US	M3	$5bn	-$18.3bn
	US	Initial claims, w/e Aug 20	325,000	327,000
	France	May current account†	Ffr1.8bn	Ffr0.5bn
	Canada	June int'national securities	C$725m	C$2.2bn
	Aust'lia	Private capital expenditure, 2nd qtr	5%	-5%
Fri	US	Real gross d'stic prod, 2nd qtr	4%	3.7%
Aug 26	US	Gross d'stic prod deflator, 2nd qtr	2.9%	2.9%
cont	US	After tax corp profit, 2nd qtr*	8%	n/a
	US	August Michigan sentiment, final	-	92.6
	US	July export price indx	-	0.0%
	US	July import price indx	-	0.7%
	Japan	August c'mer price indx, Tokyo**	-0.5%	-0.3%
	Japan	Ditto, ex-perishables**	0.6%	0.8%
	Japan	Ditto, nation**	-0.2%	0.6%
	Japan	Ditto, ex-perishables**	0.8%	0.8%
	Canada	July industrial prod'n price indx*	0.3%	0.6%
	Canada	July raw materials price indx*	1.4%	2.2%
	Aust'lia	Exports, real, 2nd qtr†	-	2.2%
	Aust'lia	Imports, real, 2nd qtr†	-	2.5%
During the week...				
	Japan	August trade balance	-	$3.8bn
	Germany	June trade balance	DM6bn	DM5bn
	Germany	June current account	-DM2.5bn	-DM6.1bn
	Germany	June capital account	-	DM6bn
	Germany	June long-term capital account	-	-DM8.1bn
	Germany	July import prices*	0.2%	0.3%
	Germany	August cost of living, prel*	0.0%	0.1%
	Italy	June prod price indx**	-	3.2%
	Italy	July balance of payments	-L1.7trn	-L1.1trn

*month on month, **year on year †seasonally adjusted. *Statistics, courtesy MMS International.*

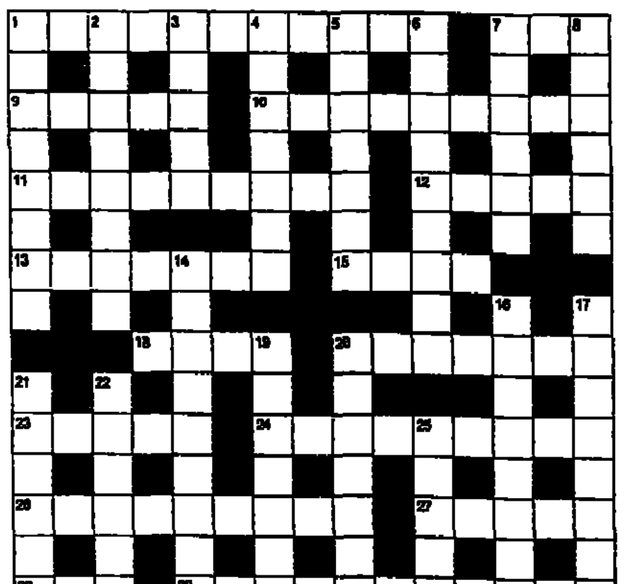
MONDAY PRIZE CROSSWORD
No.8,538 Set by DANTE

ACROSS

1 Being rude, I am short and to the point (11)
7 Peg's style of shirt? (3)
9 I am taken in by a fat Scottish landowner (5)
10 Weak team member transferred by coach, perhaps (9)
11 Detest having a crowd back in to tea, perhaps (9)
12 First job-finder for the unemployed (5)
13 Turn up in a foreign land (7)
15 A Roman emperor, in a manner of speaking (4)
18 Key study of ex-PM (4)
20 Knapsack, we hear, carried by travellers (3-4)
23 Replacement of VAT is in prospect (5)
24 A personal conversation (9)
26 Cracking assistant to a huntsman (7-2)
27 We'd be lost without him! (5)
28 Don't stand up for truth (3)
29 Seems put out – may become violent (11)

DOWN

1 Sharing common interests – like football clubs? (2,6)
2 He may have time but he's not free (8)
3 They meet in the centre of the ring (5)
4 Accuse the little devil of taking every one (7)
5 Could be set near China, for example (7)
6 Walk about certain to be highly estimated (9)
7 Temptress finally put on figure-hugging garment (6)
8 Make a mistake with the charge (6)
14 VIPs give it a going-over (3,6)
16 Fly doctors to capital (8)
17 Small games enclosures (4-4)
19 Remedy found in no way strange (7)
20 If you lose it you may slip – into the red? (7)
21 I heard a statement (6)
22 Aim for a high place in the church (6)
25 A fair solution to the clue? (5)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday September 1, marked Monday Crossword 8,538 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday September 5.

Name...

Address..

....

Winners 8,526

P. Cosgrave, Camberley, Surrey
D.M. Chesters, Broadbridge Heath, West Sussex
Mrs N.H. Hall, Ponteland, Newcastle upon Tyne
David G. Harper, Hurstpierpoint, West Sussex
H. Rothwell, Efail Isaf, Pontypridd, Mid Glamorgan
Caroline Yapp, Kencot, Gloucestershire

Solution 8,526